
DESC – Providing Energy to Train,



to Fight...



...to WIN



Defense Energy Support Center



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FOREWORD

The Defense Energy Support Center Fact Book contains statistical information regarding the Center's business operations. The Fact Book reflects the Center's operational status at the end of fiscal year 2006 unless otherwise indicated. The intent is for the use of this publication as a source for general

information purposes only. The Fact Book is not to be considered a source for official communications. We hope you will find it useful. The Fact Book can also be found on-line at www.desc.dla.mil in the Publications sections of the web page.

DESC CORPORATE POSTURE

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HISTORY:

DEFENSE ENERGY SUPPORT CENTER

The origin of the Defense Energy Support Center dates back to World War II. Originally, it was an entity of the Department of Interior as the Army-Navy Petroleum Board. Its mission was to administer the critical petroleum requirements during World War II. In 1945, it was transferred to the War Department and became the Joint Army-Navy Purchasing Agency.

The Agency underwent several name changes, but its mission remained essentially the same until 1962. At that time, it became a part of the consolidated military supply organization, the Defense Supply Agency, now known as the Defense Logistics Agency (DLA). The Center was designated the Defense Fuel Supply Center (DFSC) in 1964 as a single entity to purchase and manage the Department of Defense's petroleum products and coal.

In 1973, DFSC progressed from a wholesale fuel central procurement activity to a more comprehensive logistics mission as the Integrated Materiel Manager (IMM) for the Department of Defense petroleum requirements. Under Phase I, DFSC added management of the acquisition, storage, distribution and sale of fuel with responsibility ending at the Service installation boundary. In 1991 Phase II began, which expanded DLA's ownership of bulk petroleum products to include most bulk storage installations. This effort was divided into two parts, Phase IIA, which capitalized aviation fuel, and Phase IIB, which will capitalize all ground fuels.

Once Phase II is completed, DLA will own all bulk petroleum products from the point of purchase until its final point of issue to power aircraft, ships, and ground equipment.

In 1990, the DFSC mission was expanded to include the supply and management of natural gas, as well as the basic petroleum and coal products. Under this program, natural gas requirements were consolidated and centrally procured with a mission to provide direct supply natural gas to customers when determined more economical than using gas from a local distribution company.

February 11, 1998 marked the beginning of a new chapter in the Center's history with a name change to Defense Energy Support Center. With it came a new mission to build an energy program aimed at moving the Department of Defense out of the management of energy infrastructure and into the management of energy products. The energy enterprise mission was added to assist the Military Services with the privatization of utility related infrastructure and energy savings performance contracts to decrease energy usage and energy demand.


The initiative to deregulate electricity in CONUS added still another mission to DESC. As states deregulate, DESC pursues and awards contracts for electricity services to CONUS DoD and Federal Civilian Agency installations in the same manner as procurements for natural gas.

On October 1, 2001, DESC assumed a new mission from the US Air Force and now serves as the DoD's Integrated Material Manager for space and space related products and services and provides world-class support and business solutions to not only DoD, but other Federal Agencies, Government contractors, and academia. The new mission encompasses 92 national stock numbers with each product supporting at least one DoD Major Weapon System. The addition of this mission makes DESC a full service provider of all energy and energy-related products.


On August 11, 2004, the Secretary of Defense designated DLA as the Executive Agent for Bulk Petroleum. This authority was delegated to DESC on November 1, 2004 with the responsibility to execute Supply Chain Management for all DoD Bulk Petroleum, with an emphasis on improving efficiency and minimizing duplication or redundancy within the supply chain.

DESC, despite changes in organization structure and expanded mission, continues its basic mission to support the warfighter and manage the energy sources of the future.

DEFENSE ENERGY SUPPORT CENTER'S MISSION



*To Provide The Department Of Defense,
And Other Government Agencies,
With Comprehensive Energy Solutions In The
Most Effective And Efficient Manner Possible.*



DESC's Vision



*Our Customer's First Choice for
Energy Solutions*

DEFENSE ENERGY SUPPORT CENTER

DIRECTOR'S UPDATE FOR FISCAL YEAR 2006

In Fiscal Year (FY) 2006, the Defense Energy Support Center (DESC) focused its efforts on supporting the warfighter as the Department of Defense continued to prosecute the Global War on Terrorism in Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom in Iraq, as well as other contingency operations around the world. DESC also continued providing the Department of Defense and other customers comprehensive energy solutions in the most effective and economic manner possible. These solutions include contracting support and management of all petroleum-based fuels, additives and other energy products and services including jet fuels, distillates, missile fuels, chemicals, gases, gasoline, diesel fuels, heating fuels, natural gas, coal, and electricity. DESC also continues to manage utilities privatization and other installation energy conservation efforts. DESC prides itself in continuing partnerships with its customers and the energy industry by fostering and maintaining business alliances around the world.

DESC made considerable progress in modernizing the ships bunkers fuel ordering process with the fielding of the web-based SEA Card Order Management System (SCOMS). A SCOMS pilot program test was initiated in October 2005, and concluded in June 2006. Feedback from the vessel community was very positive, and associated metrics equally so. As a result, the system was approved for production. Over 275 vessel orders were successfully processed in SCOMS. The program continues to expand its reach, with additional vessels continuously coming on line.

In support of Defense Logistics Agency (DLA) goals and objectives, DESC continued to initiate and develop new programs and business practices designed to meet the ever-changing challenges ahead, including Business Systems Modernization-Energy (BSM-E), the Balanced Scorecard, information technology and transformation issues.

DESC supported numerous major space launches by NASA, DoD and commercial enterprise by providing hydrazine, dinitrogen tetroxide, RP-1, liquid oxygen, liquid/gaseous nitrogen, and liquid/gaseous helium. DESC also provided helium to the warfighter in Iraq for aerostats (tethered balloons) used in ground surveillance.

DESC continued to be a firm supporter of the Defense Logistics Agency Customer Relationship Management (CRM) Program. Following a successful Concept Demonstration that utilized manual workaids designed to test processes before applying technology, DESC, along with the DLA enterprise, implemented the CRM Marketing and Sales Processes as part of Release 1.0 of the CRM Program in the spring of 2006. This automation provides a better holistic view of our customer resulting in better, faster customer support and enterprise decisions.

DESC's continued success with meeting these fast-paced challenges is due to the cooperation, dedication and commitment of over 800 military and civilian DESC employees whose goals include exceeding expectations and meeting mission needs – wherever and whenever they occur.

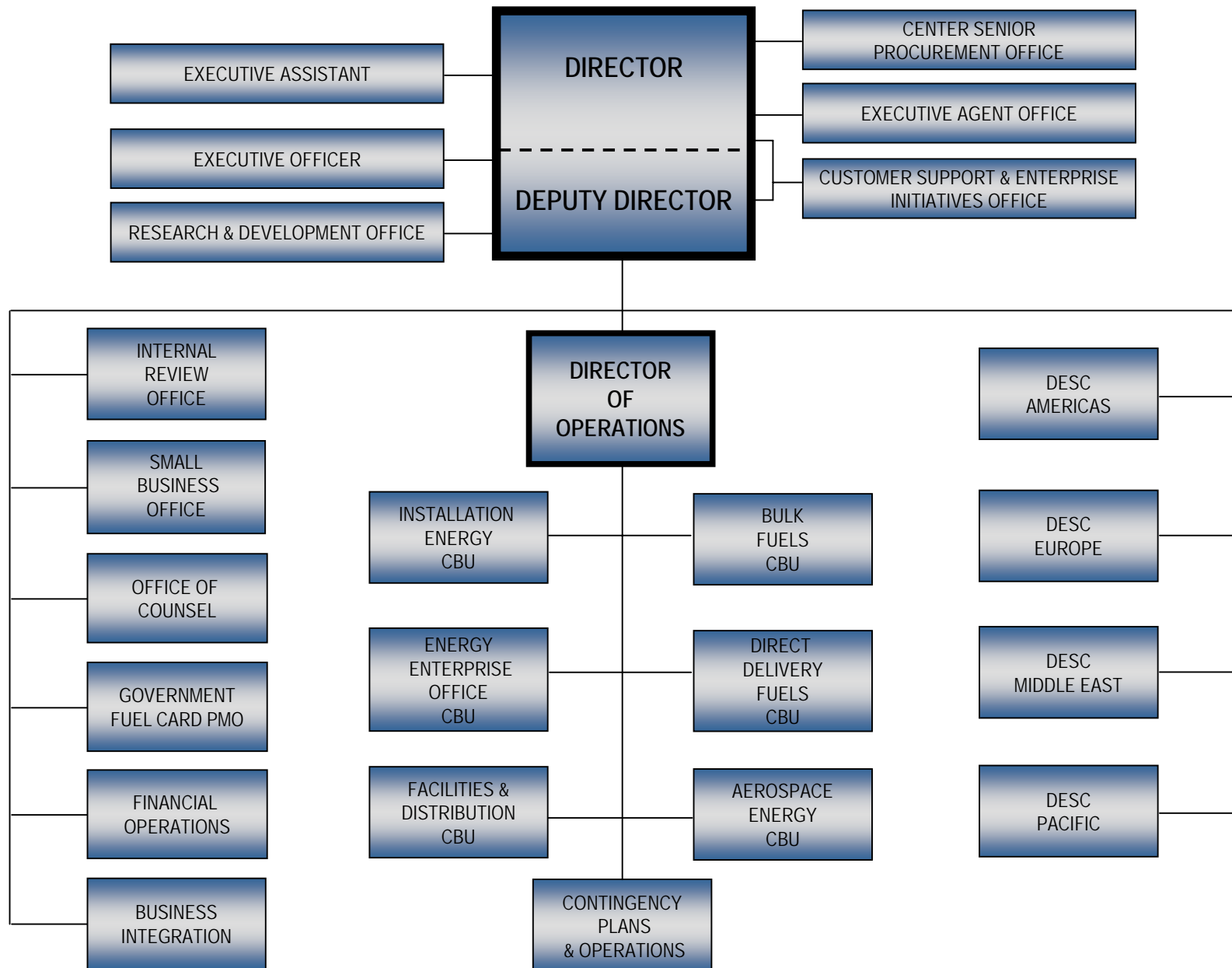
DEFENSE ENERGY SUPPORT CENTER

DIRECTOR'S PLAN FOR FISCAL YEAR 2007

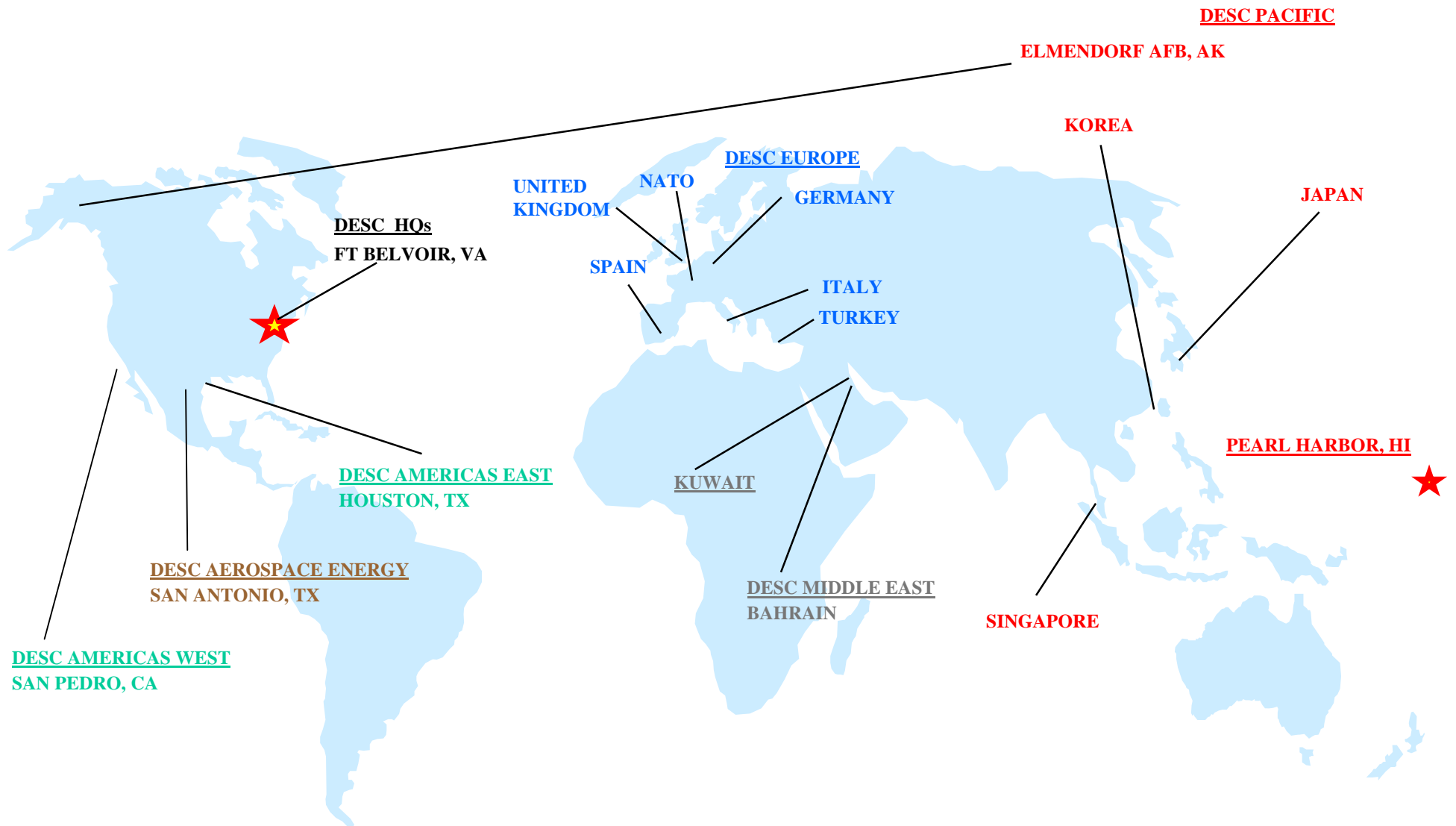
DESC is dedicated to providing continuous energy support to the warfighter and will strive to fulfill its mission in every way possible. Along with current CBUs' mission requirements, DESC will support and play an integral part in DLA strategies and initiatives. DESC's continued support consists of the following:

- Partnering with the Federal Emergency Management Agency (FEMA) to provide emergency supplies of gasoline and diesel to predetermined locations in the event of natural disaster.
- Aggressively supporting the Energy Security Integrated Product Team and DOD's basic goal to find ways to achieve energy security through assured energy supply and efficiency.
- Partnering with the services to explore the viability or advantages of using synthetic fuel in weapons platforms.
- Maintaining on-going efforts supported by DESC R&D funding to include: study of hydrogen as a defense fuel; pilot projects to track CL IIIB assets with Radio Frequency Identification; and study of JP-8 +100 additive.
- Enhancing and further developing DESC's BSC to provide a true representation of DESC's business and align strategically to DLA's BSC.
- Ensuring DESC's financial statements are measured internally to commercial audit standards and procedures and reflect a true picture of DESC's financial operations.
- Seeking out and continuing to implement strategic supplier/vendor alliances whenever possible.
- Supporting the Office of the Secretary of Defense (OSD) to achieve its goal of privatizing on-base utility infrastructure and continue to support, through the use of energy savings performance contracts, the efforts of the Military to meet mandated energy reduction and renewable energy usage goals.

DESC ORGANIZATION



DESC WORLDWIDE LOCATIONS



BIOGRAPHY



RICHARD J. CONNELLY

Director, Defense Energy Support Center

Mr. Richard J. Connelly became Director of the Defense Energy Support Center (DESC) November 3, 2003. As Director of the Defense Energy Support Center, Defense Logistics Agency, Fort Belvoir, Virginia, Mr. Connelly directs the Department of Defense (DoD) organization that is responsible for purchasing and managing all petroleum resources used by the United States military. In addition, Mr. Connelly guides the growing mission of total energy support by developing strategies to buy and sell deregulated electricity and natural gas to DoD and other federal agency customers. In his capacity as the Director, Mr. Connelly also directly supports DoD's initiative to privatize the military base infrastructure that distributes those utilities (in addition to lighting, heating, air conditioning and water/wastewater systems).

Mr. Connelly is a career executive with a long history of service to DLA and the nation.

He came to DLA in 1972 as a management intern in the budget office. In 1986, he was appointed to the Senior Executive Service and was named the Budget Officer for the Agency. He later served as DLA Comptroller, as Administrator of the Defense National Stockpile Center, and as the Director, DLA Support Services.

He graduated from Boston College in 1968 and served in the United States Army until 1971. He is a graduate of Officer Candidate School at Fort Sill, Oklahoma, and served one year in Vietnam.

Mr. Connelly attended Stanford University Graduate School of Business as a Sloan Fellow and received a Master of Science degree in management in 1978.

In 2003, he was selected for the Presidential Rank Award of Meritorious Executive.

BIOGRAPHY



CAPTAIN MARVIN C. WENBERG II

United States Navy Deputy Director, Defense Energy Support Center

Captain Wenberg was born in Chicago, Illinois, on 15 April 1952. He graduated from West Lafayette High School in 1970, and Purdue University, West Lafayette, Indiana, in December 1976, with a Bachelor of Science in Chemistry. He is a graduate of the Navy's Petroleum, Oil and Lubricant Intern Program and the Armed Forces Staff College. He received a Master of Science degree in Petroleum Management from the Science and Business Schools, University of Kansas, and a Master of Science in Acquisition and Contract Management from the Florida Institute of Technology. Captain Wenberg is also a graduate of the University of Michigan Winter 2000 Executive Training Program.

After graduation from Purdue, he attended the Naval Officer Candidate School, Newport, Rhode Island, and was commissioned an Ensign in May 1977. Captain Wenberg was then sent to the Navy Supply Corps School, Athens, Georgia, and after graduation, he completed Submarine School at Groton, Connecticut. He then became the Supply Officer of the USS DANIEL BOONE (SSBN 629) Blue Crew. Some of his other assignments include:

Assistant to the Director, Fuel Director, Naval Supply Center, Pearl Harbor, Hawaii; Director, Fuel Department, and Director, Material Turned Into Store, Naval Supply Center, Charleston, South Carolina; Readiness and Services Officer, USS ENTERPRISE (CVN 65). Originally assigned to Defense Fuel Supply Center as the Assistant

Chief, Special Acquisitions Division, Captain Wenberg moved up to the position of Chief, Plans, Policy and Systems Office and then became the Executive Officer.

In May 1998, Captain Wenberg reported to United States Strategic Command to assume the duties of Chief, Weapon Systems Logistics and Readiness Division (J44), which included nuclear surety functions. In June 2000, Captain Wenberg assumed additional responsibilities as Chief, Combat Logistics and Readiness Division (J41), Operations and Logistics Directorate, when the Mobility Plans Division, J42, and his former J44 Division were disestablished and replaced by the J41 Division. Captain Wenberg assumed duties as Commanding Officer of the Naval Petroleum Office on 26 April 2002. In this assignment, he was responsible for providing leadership and technical direction for all petroleum programs within the Navy and Marine Corps. This integrates all Naval Petroleum duties. On 6 August 2003, Captain Wenberg assumed duties of the Deputy Director of the Defense Energy Support Center.

He is authorized to wear the Naval Aviation Supply Officer and Submarine Breast Insignias. Captain Wenberg is designated a Joint Services Officer in the Department of Defense. Some of his personal awards include the Defense Superior Service Medal, the Legion of Merit and the Defense Meritorious Service Medal. He is a member of the American Chemical Society, and of the Acquisition Community in the Department of the Navy.

BIOGRAPHY

COLONEL DAVID J. ROHRER



United States Army Director, Operations Defense Energy Support Center

Colonel David Rohrer is a 1980 Distinguished Military Graduate of North Georgia College. He holds a Masters Degree in Human Resource Management Systems from Chapman University and a Masters Degree in National Resource Strategy from the National Defense University. He is currently serving as the Commander, Defense Energy Support Center – Americas, and Director of Operations, Defense Energy Support Center (DESC), Defense Logistics Agency (DLA).

Colonel Rohrer's initial tour of duty was with the 240th Quartermaster Battalion, Fort Lee, Virginia from 1980 to 1983 where he served in a variety of positions. From 1984 to 1987 he served with the 55th Support Battalion (Pershing Support) in Neu Ulm, Germany, as the Petroleum Officer and later as a Company Commander. From 1987 to 1990 he served as the Petroleum Officer, National Guard Bureau, HQDA. Immediately following, he participated in the Army's Training with Industry Program with Sun Refining and Marketing Co., Philadelphia, PA.

From 1991 to 1994, Colonel Rohrer was the Sub-Area Petroleum Officer and Chief, Current Operations Branch, J4, U.S. Forces Japan, Yokota Air Base. He served four years with the 10th Mountain Division (Light Infantry),

Fort Drum, NY from 1994 to 1998 in several positions including Battalion Executive Officer and Chief, Division Materiel Management Center. He commanded the 505th Quartermaster Battalion (Petroleum Pipeline/Terminal Operating) on Okinawa, Japan from 1998 to 2000 and was the Deputy Commander, 49th Quartermaster Group (Petroleum & Water), Fort Lee, VA from 2000 to 2001. Colonel Rohrer was assigned to the J-3, DLA, in 2002 where he served as the Chief, Army Initiatives and Chief, Supply Chain Integration Division. He served as the Director, Bulk Fuels Commodity Business Unit, DESC from 2004 to 2006 and simultaneously assumed duties as the Commander, DESC-Americas in July 2005.

His military education includes the Quartermaster Advance Course, Petroleum Officer Advance Course, Command and General Staff College, and Industrial College of the Armed Forces.

Colonel Rohrer's decorations include the Defense Superior Service Medal, Defense Meritorious Service Medal, Meritorious Service Medal (with four Oak Leaf Clusters), Army Commendation Medal (with one Oak Leaf Cluster), Armed Forces Expeditionary Medal, Humanitarian Service Medal (with Bronze Star), and Army Staff Identification Badge.

DEFENSE ENERGY SUPPORT CENTER

Director	(703) 767-9706
Deputy Director	(703) 767-9700
Executive Officer	(703) 767-9721
Corporate Communications	(703) 767-5042
Director, Operations	(703) 767-5042
Director, Contingency Plans & Operations	(703) 767-8370
Operations Center	(703) 767-8420
Director, Energy Enterprise Office	(703) 767-5168
Director, Fuel Card Program Management Office	(703) 767-8606
Director, Installation Energy	(703) 767-8572
Director, Bulk Fuels	(703) 767-9306
Director, Facilities Distribution Management	(703) 767-9360
Director, Direct Delivery Fuels	(703) 767-8504
Director, Aerospace Energy	(210) 925-4456
Customer Support & Enterprise Initiatives Office	(703) 767-2945
Business Integration Office	(703) 767-9675
Executive Agent Office	(703) 767-2946
Internal Review Office	(703) 767-9671
Small Business Office	(703) 767-9465
Office of Counsel	(703) 767-5011
Center Senior Procurement Official	(703) 767-8505
Director, BSM-E Program	(703) 767-8632
Director, Financial Operations	(703) 767-9484
Research & Development Office	(703) 767-9703
Market Research	(703) 767-8376



DEFENSE ENERGY SUPPORT CENTER

Regional Offices

DESC AMERICAS

DESC Americas

DESC Americas East

DESC Americas West

(703) 767-9301

(713) 718-3770 ext. 102

(310) 241-2801

DESC PACIFIC

DESC Pacific

DESC Middle Pacific

DESC Korea

DESC Japan

DESC Alaska



(808) 473-4312/4292

(808) 473-4291/4306

011-82-53-470-4862

011-81-311-755-2671

(907) 552-3949/3941

DESC EUROPE

DESC Europe

DESC United Kingdom

DESC Mediterranean

DESC NATO

DESC Spain

DESC Turkey

DESC Incirlik

011-49-611-380-7710

011-44-1494-79-5811

011-39-050-54-7085

011-32-2724-3118

011-34-91-544-7998

011-90-312-417-4174

011-90-322-316-1197

DESC MIDDLE EAST

DESC Bahrain

DESC Kuwait

011-973-1785-4666

011-965-389-5648

FY06 ENERGY SUMMARY

(U.S. Dollars in Millions)

Purchases At Cost

\$12,816.6 (1)

Net Sales

\$12,422.3 (2)

Ending Inventory

\$ 5,012.2 (3)



(1) Includes Expenses for Petroleum, Natural Gas, Missile Fuel, Federal Excise Tax, Transportation, Facilities, DESC Operations, Headquarters.

(2) Includes Net Sales for Petroleum, Natural Gas, and Missile Fuel.

(3) Includes Petroleum and Missile Fuel Inventory.



CIVILIAN & MILITARY END STRENGTHS



	CIVILIAN		MILITARY	
	AUTHORIZED	ONBOARD	AUTHORIZED	ONBOARD
FY06	896	760	78	69
FY05	795	722	78	62
FY04	722	743	78	61
FY03	804	731	76	67
FY02	710	689	76	68
FY01	621	599	76	61
FY00	610	599	76	64
FY99	649	595	81	72



OPERATIONS PROGRAM

(U.S. Dollars in Millions)

	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>
CIVILIAN PAY	61.3	73.2	73.2	82.0
MILITARY PAY	8.2	6.4	9.7	9.1
NON-LABOR*	100.5	98.5	144.6	136.3
TOTAL	\$170.0	\$178.1	\$227.5	\$227.4
<i>Average Annual Salary Rate (\$actual)</i>				
	\$83,301	\$91,270	\$90,754	\$97,065

*INCLUDES OPERATION ENDURING FREEDOM SUPPORT AND COSTS FOR THE BUSINESS SYSTEMS MODERNIZATION (BSM-E)

PETROLEUM & NATURAL GAS

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STATEMENT OF FINANCIAL CONDITIONS

Petroleum, Natural Gas & Aerospace Energy

(U.S. Dollars in Millions)

<u>ASSETS:</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>
ACCOUNTS RECEIVABLE	291.3	534.2	552.1
CLAIMS RECEIVABLE	31.0	-	-
INVENTORIES	3,906.8	4,604.6	5,012.2
UNDISTRIBUTED COLLECTIONS	(747.7)	8.6	301.5
OTHER ASSETS	(0.9)	0.0	124.9
TOTAL ASSETS	\$ 3,480.5	\$ 5,147.4	\$ 5,990.7
<u>LIABILITIES</u>			
ACCOUNTS PAYABLE	748.1	1,045.4	1,389.8
UNDISTRIBUTED DISBURSEMENTS	(449.6)	-	-
CUSTODIAL LIABILITIES	-	-	0.3
OTHER LIABILITIES	36.7	73.0	137.0
TOTAL LIABILITIES	\$ 335.2	\$ 1,118.4	\$ 1,527.1
<u>CAPITAL:</u>			
CASH ALLOCATIONS	(501.7)	-	-
CAPITALIZED INVENTORIES	630.1	-	-
DECAPITALIZED INVENTORIES	(3.7)	-	-
OTHER ASSETS CAPITALIZED/DECAPITALIZED	2,257.8	-	-
OTHER LIABILITIES CAPITALIZED/DECAPITALIZED	145.2	-	-
ACCUMULATED OPERATING RESULTS	617.6	4,029.0	4,463.6
TOTAL CAPITAL	\$ 3,145.3	\$ 4,029.0	\$ 4,463.6
TOTAL LIABILITIES AND CAPITAL	\$ 3,480.5	\$ 5,147.4	\$ 5,990.7

STATEMENT OF SALES

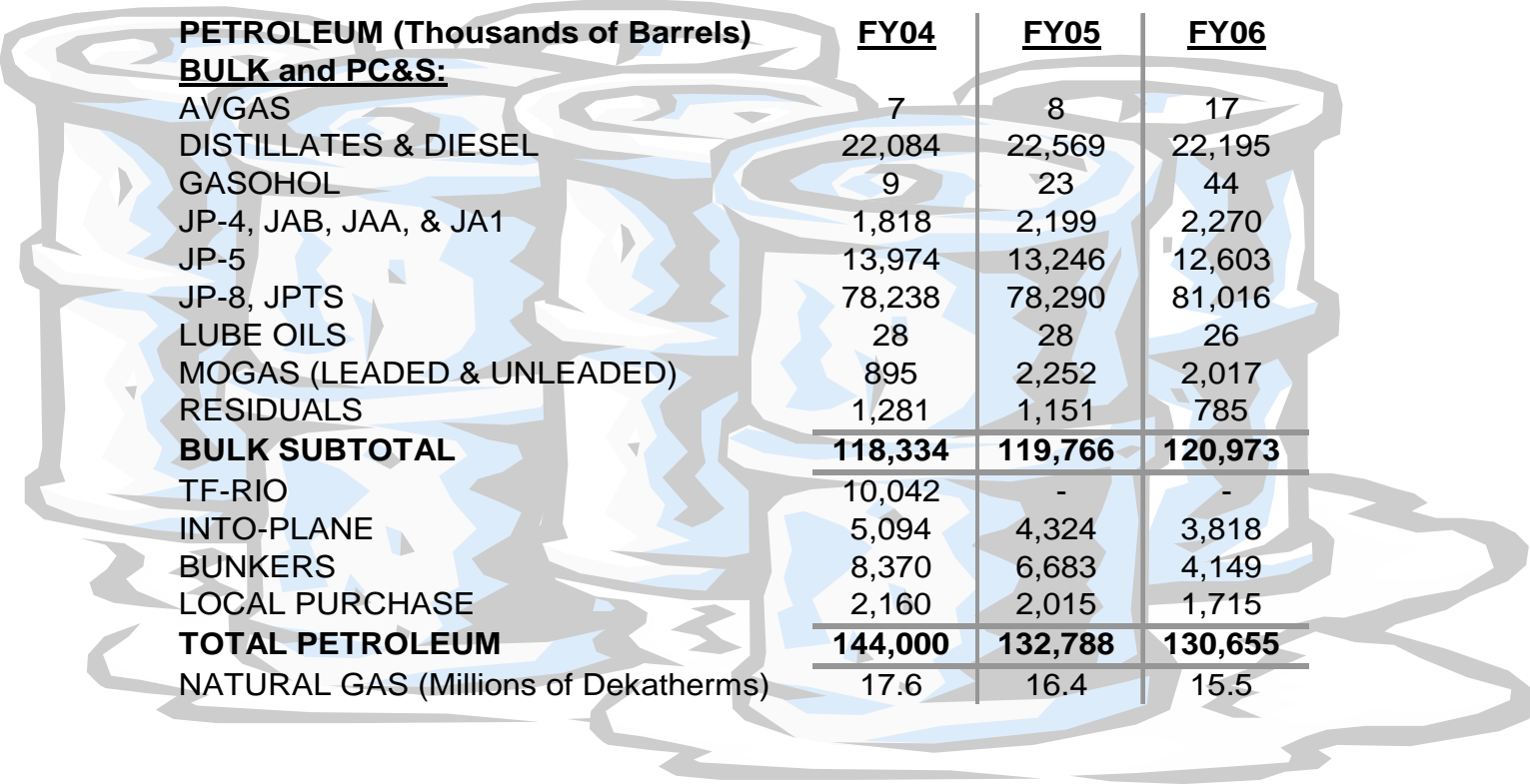
Petroleum, Natural Gas & Aerospace Energy

(U.S. Dollars in Millions)

CUSTOMER:	FY04	FY05	FY06
U.S. ARMY	439.5	984.2	1,754.1
U.S. NAVY	1,627.3	2,469.7	3,468.5
U.S. AIR FORCE	2,841.0	4,216.6	6,170.7
U.S. MARINE CORPS	22.7	92.3	179.5
OTHER DOD	34.8	28.1	47.0
TOTAL DOD	\$ 4,965.3	\$ 7,790.9	\$ 11,619.8
OTHER GOVERNMENT AGENCIES	409.2	231.6	307.8
SUBTOTAL	\$ 5,374.5	\$ 8,022.5	\$ 11,927.6
DISTRICT OF COLUMBIA	-	(4.2)	-
FOREIGN GOVERNMENTS	742.8	280.9	424.5
DOD CONTRACTORS	15.6	-	7.2
UNIDENTIFIED ISSUES	7.1	-	1.5
STATE & LOCAL GOVERNMENTS	-	3.3	6.0
COMMERCIAL	-	335.6	547.0
MWR ACTIVITY	-	18.2	11.3
TOTAL GROSS SALES	\$ 6,140.0	\$ 8,656.3	\$ 12,925.1
LESS:			
PRICE REDUCTION ON SALES	3.0	-	-
MATERIAL RETURNS/CREDITS APPLIED	207.2	327.4	502.8
NET SALES	\$ 5,929.8	\$ 8,328.9	\$ 12,422.3

NET SALES BY CATEGORY

Petroleum and Natural Gas



PETROLEUM (Thousands of Barrels)	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>
<u>BULK and PC&S:</u>			
AVGAS	7	8	17
DISTILLATES & DIESEL	22,084	22,569	22,195
GASOHOL	9	23	44
JP-4, JAB, JAA, & JA1	1,818	2,199	2,270
JP-5	13,974	13,246	12,603
JP-8, JPTS	78,238	78,290	81,016
LUBE OILS	28	28	26
MOGAS (LEADED & UNLEADED)	895	2,252	2,017
RESIDUALS	1,281	1,151	785
BULK SUBTOTAL	118,334	119,766	120,973
TF-RIO	10,042	-	-
INTO-PLANE	5,094	4,324	3,818
BUNKERS	8,370	6,683	4,149
LOCAL PURCHASE	2,160	2,015	1,715
TOTAL PETROLEUM	144,000	132,788	130,655
NATURAL GAS (Millions of Dekatherms)	17.6	16.4	15.5



PRODUCT COST

Petroleum and Natural Gas



PETROLEUM (U.S. Dollars in Millions)	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>
<u>BULK CATEGORY:</u>			
AVGAS	1.2	2.8	2.6
DISTILLATES & DIESEL	919.8	1,393.9	1,821.9
GASOHOL	0.5	1.9	4.4
JP-4, JAB, JAA, & JA1	231.7	518.2	1,122.5
JP-5	722.7	863.9	1,240.1
JP-8, JPTS	3,425.7	4,965.4	6,162.3
LUBE OILS	3.5	3.9	5.0
MOGAS (LEADED & UNLEADED)	55.1	149.1	176.1
RESIDUALS	38.4	37.6	40.8
BULK SUBTOTAL	\$5,398.6	\$7,936.7	\$10,575.7
TF-RIO	561.4	-	-
INTO-PLANE CATEGORY	315.3	354.7	396.1
BUNKERS CATEGORY	332.0	376.4	330.8
LOCAL PURCHASE	143.5	175.2	201.5
TOTAL PETROLEUM	\$6,750.8	\$8,843.0	\$11,504.1
NATURAL GAS	99.3	128.2	130.2

PURCHASES BY CATEGORY

Petroleum and Natural Gas

PETROLEUM (Thousands of Barrels)	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>
<u>BULK and PC&S:</u>			
AVGAS	7	16	16
DISTILLATES & DIESEL	21,039	21,206	22,079
GASOHOL	9	21	45
JP-4, JAB, JAA, & JA1	5,356	9,283	15,598
JP-5	16,055	12,828	14,424
JP-8, JPTS	74,710	71,349	71,318
LUBE OILS	28	29	28
MOGAS (LEADED & UNLEADED)	692	2,103	1,971
RESIDUALS	1,347	903	733
BULK SUBTOTAL	119,243	117,738	126,212
TF-RIO	10,042	-	-
INTO-PLANE CATEGORY	5,094	4,321	3,818
BUNKERS CATEGORY	8,286	6,670	4,149
LOCAL PURCHASE	2,160	2,018	1,715
TOTAL PETROLEUM	144,825	130,747	135,894
NATURAL GAS (Millions of Dekatherms)	17.6	16.4	15.5

WORLDWIDE BULK FUEL ENDING INVENTORY FY06

PETROLEUM INVENTORY

(Barrels & U.S. Dollars in Millions)

<u>PRODUCT</u>	FY05		FY06	
	<u>BARRELS</u>	<u>DOLLARS</u>	<u>BARRELS</u>	<u>DOLLARS</u>
AVGAS	0.0	\$0.5	0.0	\$0.2
DISTILLATES & DIESEL	9.6	\$758.6	9.7	\$809.0
JP-4 (JP-4, JAB, JAA, & JA1)	4.7	\$411.2	3.5	\$298.9
JP-5	14.9	\$1,266.2	14.4	\$1,150.1
JP-8	29.6	\$2,128.2	30.7	\$2,591.0
LUBE OILS	0.0	\$0.9	0.0	\$2.0
MOGAS (LEADED & UNLEADED)	0.2	\$17.2	0.2	\$17.2
RESIDUALS	0.3	\$9.4	0.3	\$7.9
ADDITIVES	<u>0.0</u>	<u>\$12.4</u>	<u>0.0</u>	<u>\$6.5</u>
TOTAL ON-HAND & INTRANSIT	59.3	\$4,604.6	58.8	\$4,882.8

Note: Inventory is valued at first-in, first-out (FIFO).

INFRASTRUCTURE DATA

TITLE

PAGE

Number of Defense Fuel Support Points
Obligations for Storage/Distribution Services
(MR&E) SRM Program
Number and Size of Domestic Refineries

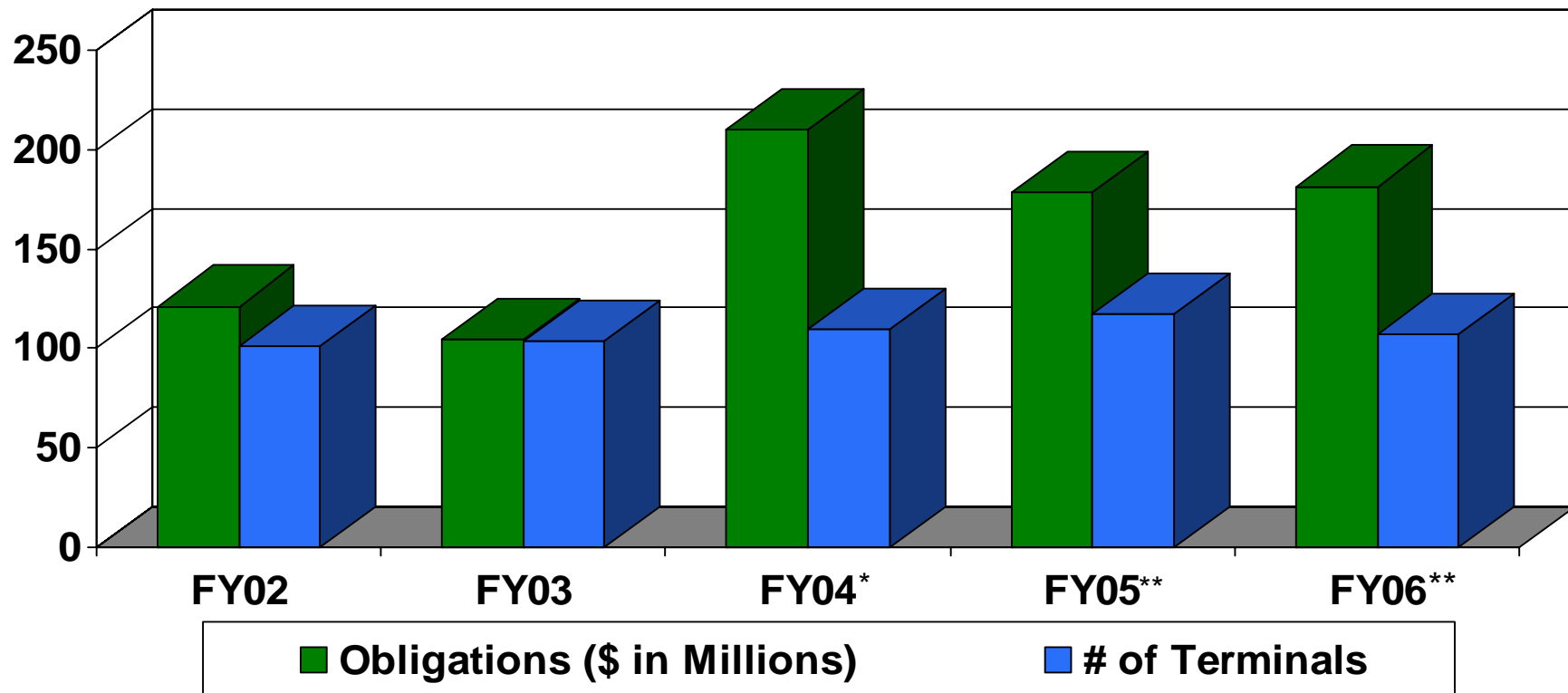
23
24
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26

NUMBER OF DEFENSE FUEL SUPPORT POINTS STORING GOVERNMENT-OWNED FUEL FY06

<u>TYPE OF OPERATION</u>	<u>ARMY</u>	<u>NAVY</u>	<u>AIR FORCE</u>	<u>DLA</u>	<u>TOTAL</u>
GOVERNMENT-OWNED GOVERNMENT-OPERATED (GOGO)	169	41	164	2	376
GOVERNMENT-OWNED CONTRACTOR-OPERATED (GOCO)	25	33	41	16	115
CONTRACTOR-OWNED CONTRACTOR-OPERATED (COCO)	0	0	0	37	37
NORTH ATLANTIC TREATY ORGANIZATION (NATO)	0	0	0	6	6
COMMERCIAL PIPELINE	0	0	0	38	38
FLOATING STORAGE	0	58	0	0	58
FOREIGN GOVERNMENT	0	0	4	8	12
TOTAL	194	132	209	107	642

Note: Defense Fuel Support Points (DFSPs) as of September 30, 2006
GOCOs in caretaker status during environmental cleanup not included in numbers

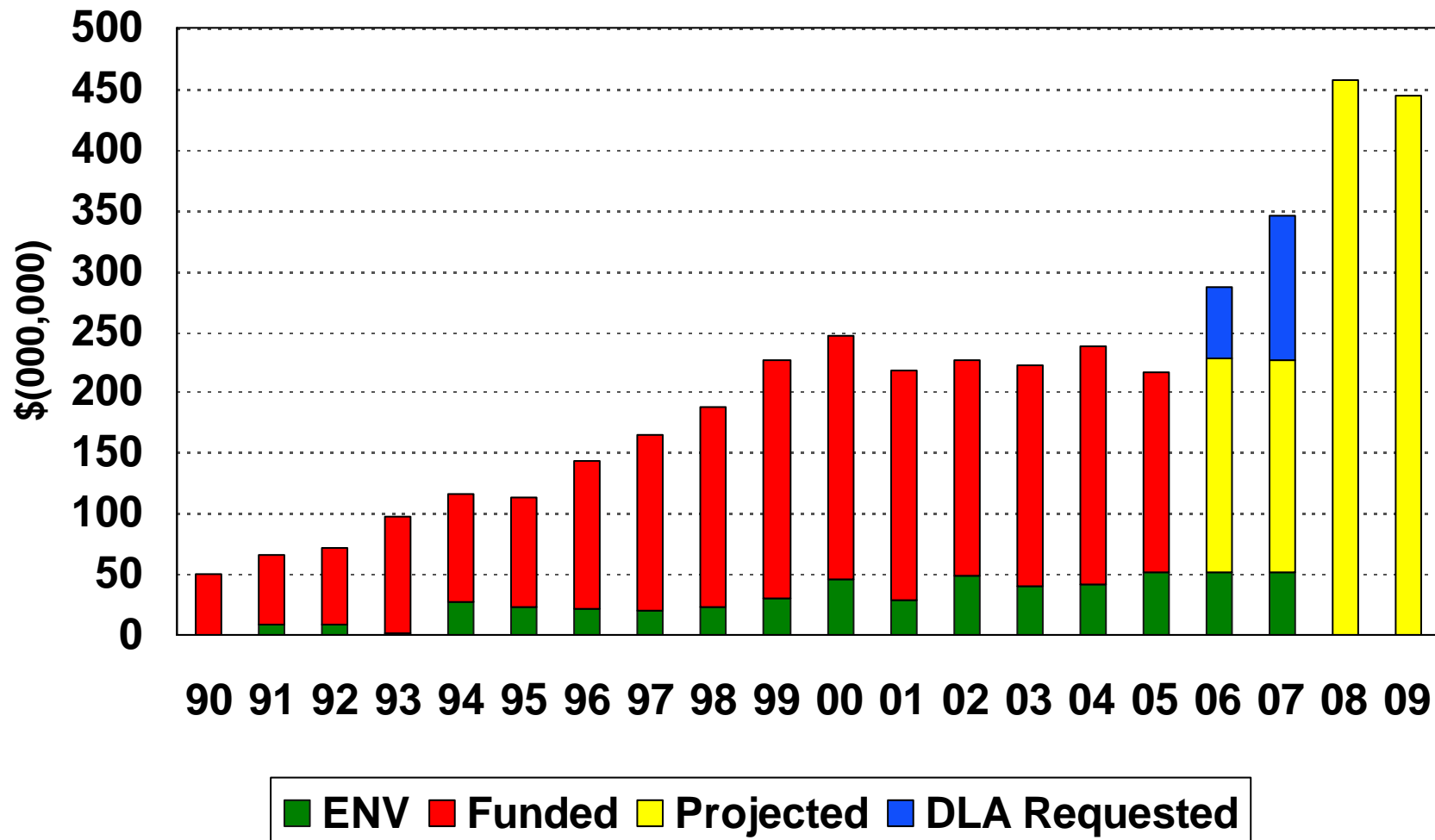
OBLIGATIONS FOR STORAGE/DISTRIBUTION SERVICES GOGO/GOCO/COCO/FG/NATO



NOTE: * FY04 increase over FY03 was as a result of the addition of the AI Udeid storage project.

**** FY05 and FY06 increase over FY03 was the result of the Global War on Terror (GWOT) in support of OEF/OIF. This included new storage locations, addition of storage at existing locations, increases for new and existing international agreements.**

(MR&E) SRM Program Funding History / Projection



NUMBER AND SIZE OF DOMESTIC REFINERIES (BY CALENDAR YEAR)

<u>Crude Distillation Capacity</u>											<u>Change</u>
<u>Barrels/Day</u>	<u>1990</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>1990 - 2006</u>
Less Than 50,000	106	57	55	54	52	49	47	47	42	45	-58%
50,000 - 100,000	39	37	42	42	41	40	40	39	39	38	-3%
100,001 - 175,000	31	26	25	24	23	22	22	23	23	24	-23%
Over 175,000	23	31	32	32	34	36	36	36	38	39	70%
Total	199	151	154	152	150	147	145	145	142	146	-27%
Source for 1986-1994, 1997, 1999-2006: US Department of Energy											
Source for 1996, 1998: Oil and Gas Journal											

DESC BUSINESS VENTURES

TITLE

PAGE

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Energy Savings Performance Contract Awards	28
Utility Privatization Support	29
Utility Privatization Awards/Cost Avoidance	30-33
Small Business Program Achievements	34

DESC OPTIMIZATION PROJECTS

(U.S. Dollars in Millions)

LOCATION	SERVICE	TYPE	CONTRACT START DATE	CONTRACT END DATE	PROJECTED SAVINGS OVER CONTRACT PERIOD (NPV, \$M)
Ft Bragg, NC	USA	COCO	Apr-98	2018	7.5
Schofield Barracks, HI	USA	COCO	Jun-98	2018	6.7
Ft Jackson, SC	USA	COCO	Jun-99	2019	1.5
29 Palms, CA	USMC	COCO	Jul-99	2019	5.2
Ft Hood, TX	USA	GOCO	Dec-00	2005	4.5*
Hunter AAF, GA	USA	GOCO	Dec-00	2005	0.7*
Ft Stewart, GA	USA	COCO	Jun-01	2021	3.5
MC Bases, Okinawa	USMC	GOCO	Apr-02	2007	2.0
Ft Gordon, GA	USA	COCO	Oct-02	2007	0.5
Moffett, CA	ANG/NASA	COCO	May-03	2023	5.0
Ft Lewis, WA	USA	COCO	Sep-03	2007	6.0
Simmons/Camp Mackall, NC	USA	GOCO	Sep-03	2023	3.5
Ft. Carson, CO	USA	COCO	Mar-04	2024	8.7
Ft. Campbell, KY	USA	COCO	Jul-05	2025	2.1
TOTAL					\$57.4

* Actual savings for Ft. Hood was \$6.2 million and for Hunter AAF \$0.6 million.

ENERGY SAVINGS PERFORMANCE CONTRACT AWARDS TO DATE

LOCATION	ENERGY CONSERVATION MEASURES	ENERGY SERVICE COMPANY (ESCO)	DATE	TOTAL AWARD AMOUNTS	CONTRACT TERM
Northeast Regional Office (NERO) formerly MDW	15 ECMs	Pepco Gov't Services LLC	Jul 99	\$216.0 M	18 years
Fort Jackson, SC	Lighting Upgrades, GSHP Retrofits, Chiller Plant Upgrades, Demand Limiting System	Ameresco Solutions	Sep 01	\$43.8 M	22 years
Aberdeen Proving Ground, MD	GSHP	CES	Sep 01	\$15.0 M	20 years
Fort Hamilton, NY	Lighting Retrofits, Energy Management Control System, Water Savings	ConEdison Solutions	Nov 01	\$7.3 M	15 years
Carlisle Barracks, PA	Direct Digital Controls, HVAC	EPS	Jul 02	\$16.3 M	17 years
Fort Hood, TX	UMCS Improvements, Vending Machine Controls, Cooling Tower VFDs, Lighting Retrofit	Johnson Controls	Sep 03	\$13.6 M	22 years
Fort Monmouth, NJ	Lighting Upgrade, HVAC Renovation, UESC Implementation, GHP, Cogeneration System Site Preparation/Feasibility	Ameresco Solutions	Sep 03	\$56.6 M	23 years
Fort Hood, TX Delivery Order #2	UMCS Improvements, Vending Machine Controls, Lighting Retrofit	Johnson Controls	May 06	\$38.5 M	24 years

UTILITY PRIVATIZATION SUPPORT

In December 1997, the Deputy Secretary of Defense directed the Military Departments to develop plans for privatizing all of their utility systems (electric, natural gas, water and waste water), except those needed for unique security reasons or where privatization is not economical. Since that time and by request from the Military Services, DESC has established a customer-centric team, segmented by Services, to support the Military Departments in their efforts to privatize on-base infrastructure and acquire safe, reliable utility services along the privatized systems.

Systems in Work (5-Year UP Program)



Army 72



Air Force 18



DLA 29

Contracts Awarded

FY 2006 – (Total Value - \$613.5M)

Charleston AFB, SC - Gas
Fort Belvoir, VA – Electric
Fort Bragg, NC – Water/Wastewater Plants
Fort Gordon, GA – Electric
Fort Myer/McNair, VA - Electric
Natick Soldier Systems Command, MA – Electric

FY 2005 – (Total Value - \$302.3M)

Andrews AFB, MD – Water/Wastewater
Fort Eustis, VA – Water/Wastewater
Fort Leavenworth, KS – Electric
Fort Lee, VA – Wastewater
Fort Monroe, VA – Water/Wastewater
Natick Soldier Systems Command, MA – Electric
Fort Story, VA – Water/Wastewater

FY 2004 – (Total Value - \$530.5M)

Dobbins ARB, GA – Electric
Bolling AFB, DC – Water/Wastewater
Fort Bliss, TX – Water/Wastewater
Fort Eustis, VA – Electric
Fort Lee, VA – Electric
Fort Monroe, VA – Electric
Fort Story, VA – Electric
Fort Knox, KY – Wastewater/Stormwater

FY 2003 – (Total Value - \$356.9M)

Picatinny Arsenal, NJ – Electric
Fort McNair, VA – Gas
Fort Bliss, TX – Gas
Fort Rucker, AL – Electric/Gas/Water/Wastewater
Fort Leavenworth, KS – Water/Wastewater
Randolph AFB, TX - Wastewater
Sunny Point, NC - Electric

FY 2002 – (Total Value - \$98.1M)

Fort Bliss, TX - Electric

FY 2001 – (Total Value - \$1.3M)

Fort Detrick – Gas (GSA)
Bolling AFB – Gas (GSA)
Minneapolis-St Paul – Gas (GSA)

UTILITY PRIVATIZATION AWARDS/COST AVOIDANCE

LOCATION	SYSTEM	CONTRACTOR	AWARD DATE	TOTAL AWARD AMOUNT (Award Year Dollars)	ANNUAL COST AVOIDANCE (Award Year Dollars)	% SAVINGS for TOTAL AWARD (Award Year dollars)
Fort Detrick Maryland	Gas	Washington Gas and Light	Dec 00	\$0.700M (Construction Project)	N/A	N/A
Bolling AFB Washington DC	Gas	Washington Gas and Light	Jul 01	\$0.428M (Construction Project)	N/A	N/A
Minneapolis Saint Paul ARS Minnesota	Gas	Minnesota Gas	Sep 01	\$0.173M (For 50 Years)	\$935	21%
Fort Bliss Texas	Electric	Rio Grande Electric Cooperative	Sep 02	\$98.1M (For 50 Years)	\$994,340	34%
Picatinny Arsenal New Jersey	Electric	Sussex Rural Electric Cooperative	Oct 02	\$42.2M (For 50 Years)	\$431,975	34%
Fort McNair Virginia	Gas	Washington Gas and Light	Feb 03	\$0.403M (Construction Project)	N/A	N/A
Fort Bliss Texas	Gas	Texas Gas Service	Mar 03	\$9.5M (For 10 Years)	-\$245,602*	-35%*
Fort Rucker Alabama	Gas	Southeast Alabama Gas District	Apr 03	\$8.6M (For 50 Years)	\$568,025	77%
Fort Rucker Alabama	Electric	Alabama Power	May 03	\$37.8M (For 20 Years)	\$558,772	23%

UTILITY PRIVATIZATION AWARDS/COST AVOIDANCE (Cont.)

LOCATION	SYSTEM	CONTRACTOR	AWARD DATE	TOTAL AWARD AMOUNT <small>(Award Year Dollars)</small>	ANNUAL COST AVOIDANCE <small>(Award Year Dollars)</small>	% SAVINGS for TOTAL AWARD <small>(Award Year dollars)</small>
Fort Leavenworth Kansas	Water/ Wastewater	American Water Services	Sep 03	\$95.7M <small>(For 50 Years)</small>	\$387,389	17%
Fort Rucker Alabama	Water/ Wastewater	American Water Services	Sep 03	\$118.4M <small>(For 50 Years)</small>	\$1,752,374	43%
Randolph AFB Texas	Wastewater	San Antonio River Authority	Sep 03	\$26.9M <small>(For 50 Years)</small>	\$37,783	7%
Sunny Point Military Ocean Terminal North Carolina	Electric	Brunswick Electric Membership	Sep 03	\$17.4M <small>(for 50 Years)</small>	\$511,767	60%
Dobbins ARB Georgia	Electric	Georgia Power	Feb 04	\$13.0M <small>(For 50 Years)</small>	\$106,952	29%
Bolling AFB Washington DC	Water/ Wastewater	Washington Suburban Sanitary Commission	Mar 04	\$26.8M <small>(For 50 Years)</small>	\$715,323	57%
Fort Bliss Texas	Water/ Wastewater	American States Utility Services	Jun 04	\$197.6M <small>(For 50 Years)</small>	\$1,662,640	30%
Fort Eustis Virginia	Electric	Dominion Virginia Power	Jun 04	\$39.0M <small>(For 50 Years)</small>	\$661,161	46%
Fort Lee Virginia	Electric	Dominion Virginia Power	Jun 04	\$68.0M <small>(For 50 Years)</small>	-\$36,609**	-3%**

UTILITY PRIVATIZATION AWARDS/COST AVOIDANCE (Cont.)

LOCATION	SYSTEM	CONTRACTOR	AWARD DATE	TOTAL AWARD AMOUNT (Award Year Dollars)	ANNUAL COST AVOIDANCE (Award Year Dollars)	% SAVINGS for TOTAL AWARD (Award Year dollars)
Fort Monroe Virginia	Electric	Dominion Virginia Power	Jun 04	\$23.8M (For 50 Years)	-\$2,040***	-0.4%***
Fort Story Virginia	Electric	Dominion Virginia Power	Jun 04	\$11.9M (For 50 Years)	\$164,071	41%
Fort Knox Kentucky	Wastewater/ Stormwater	Hardin County Water District #1	Sep 04	\$150.4M (For 50 Years)	\$1,524,509	34%
Andrews AFB Maryland	Water/Waste water	American States Utility Services	Sep 05	\$114.3M (For 50 Years)	\$318,925	12%
Fort Eustis Virginia	Water/ Wastewater	American States Utility Services	Sep 05	\$58.0M (For 50 Years)	\$1,019,135	53%
Fort Leavenworth Kansas	Electric	Leavenworth Jefferson Electric Cooperative	Sep 05	\$65.5M (For 50 Years)	\$1,196,935	48%
Fort Lee Virginia	Wastewater	American States Utility Services	Sep 05	\$23.5M (For 50 Years)	\$208,056	31%
Fort Monroe Virginia	Water/ Wastewater	American States Utility Services	Sep 05	\$19.4M (For 50 Years)	\$631,253	62%
Fort Story Virginia	Water/ Wastewater	American States Utility Services	Sep 05	\$21.5M (For 50 Years)	\$791,921	65%

UTILITY PRIVATIZATION AWARDS/COST AVOIDANCE (Cont.)

LOCATION	SYSTEM	CONTRACTOR	AWARD DATE	TOTAL AWARD AMOUNT (Award Year Dollars)	ANNUAL COST AVOIDANCE (Award Year Dollars)	% SAVINGS for TOTAL AWARD (Award Year dollars)
Charleston AFB South Carolina	Gas	South Carolina Electric & Gas	Sep 06	\$4.6M (For 50 Years)	\$10,351	10%
Fort Belvoir Virginia	Electric	Dominion Virginia Power	Sep 06	\$214.1M (For 50 Years)	\$2,994,610	41%
Fort Bragg North Carolina	Water (Plant)	City of Fayetteville	Sep 06	\$135.4M (For 40 Years)	\$1,823,623	35%
Fort Bragg North Carolina	Wastewater (Plant)	County of Harnett	Sep 06	\$91.1M (For 40 Years)	\$2,689,030	54%
Fort Gordon Georgia	Electric	Georgia Power	Sep 06	\$71.4M (For 50 Years)	\$843,764	37%
Fort Myer/McNair Virginia	Electric	Dominion Virginia Power	Sep 06	\$73.3M (For 50 Years)	\$570,561	28%
Natick Soldier Systems Command Massachusetts	Electric	NSTAR	Sep 06	\$23.6M (For 50 Years)	\$146,592	24%

*NPV Annual Cost Avoidance = \$50,300 and NPV % Savings for Total Award = 20%

**NPV Annual Cost Avoidance = \$95,146 and NPV Savings for Total Award = 15%

*** NPV Annual Cost Avoidance = \$47,092 and NPV Savings for Total Award = 21%

SMALL BUSINESS PROGRAM ACHIEVEMENTS

(In Thousands)

	FISCAL YEAR 04			FISCAL YEAR 05			FISCAL YEAR 06		
Small Business Preference Programs	TARGETS	PERFOR.	DOLLARS	TARGETS	PERFOR.	DOLLARS	TARGETS	PERFOR.	DOLLARS
Small Business Awards	23.00%	29.90%	\$1,188,743	23.00%	33.10%	\$2,385,759	23.00%	32.80%	\$2,532,594
Small Disadvantaged Business Awards	5%	3.60%	\$143,575	4%	4.60%	\$333,592	4.0%	3.20%	\$244,830
Direct Competitive			\$144,060			\$325,668			\$241,135
Section 8 (a)	0.50%	0.00%	\$ (485)	0.50%	0.11%	\$7,924	0.10%	0.04%	\$3,695
Women-Owned Small Business Awards	1.40%	1.00%	\$41,397	1.30%	1.90%	\$137,630	1.10%	1.50%	\$119,044
Hubzone Small Business Awards	2.50%	1.40%	\$54,411	2.10%	2.90%	\$209,863	1.10%	.40%	\$30,103
Svc-Disabled Vet-Owned Small Business Awards	3%	0.00%	\$275	.70%	0.00%	\$1,454	.50%	0.00%	\$2,790
Total Domestic Awards			\$3,971,769			\$3,401,890			\$3,174,191

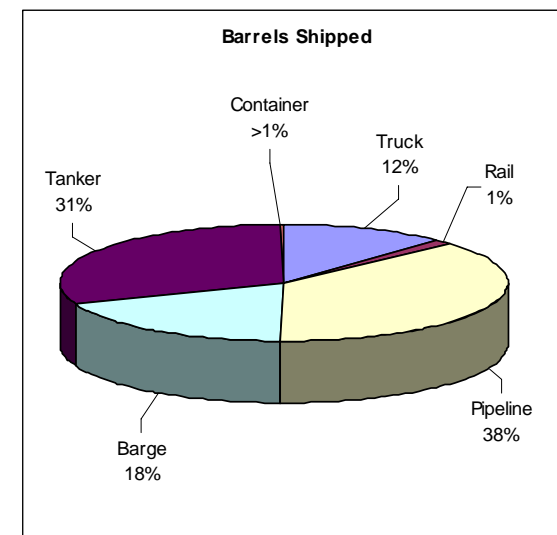
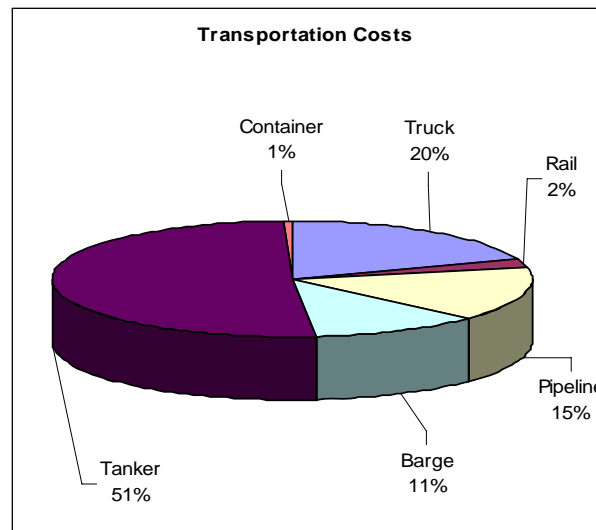
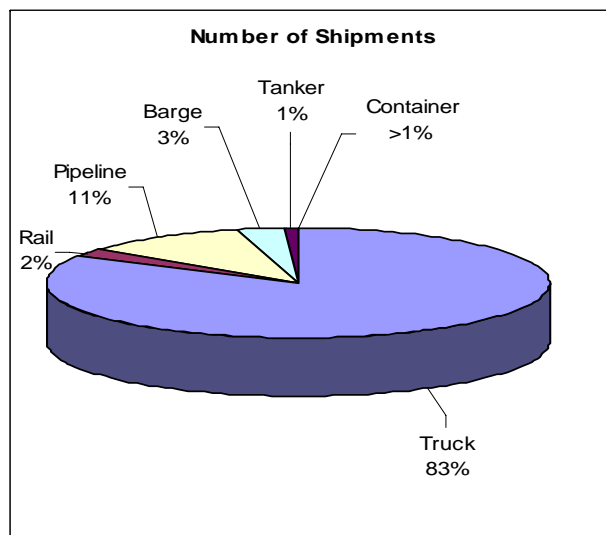
Note: All percentages based on total domestic dollars awarded

FUEL TRANSPORTATION

<u>TITLE</u>	<u>PAGE</u>
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Transportation Expense	36
Demurrage Collected	37

FY06 WORLD-WIDE BULK PRODUCT TRANSPORTATION

(Frequency-Cost-Volume)



		<i>TRUCK</i>	<i>RAIL</i>	<i>*PIPELINE</i>	<i>BARGE</i>	<i>TANKER</i>	<i>SEAVAN</i>	<i>TOTAL</i>
CONUS	Shipments	17,193	505	2,934	796	80	-	21,508
	Cost (\$ Millions)	44.1	4.8	51.8	33.6	36.5	-	170.8
	Barrels (Millions)	10.8	0.7	43.5	20.8	11.2	-	87.0
OCONUS	Shipments	14,365	345	1,179	368	245	41	16,543
	Cost (\$ Millions)	23.3	3.3	-	5.5	140.4	1.8	174.3
	Barrels (Millions)	6.5	1.2	10.1	5.8	33.2	0.6	57.4
TOTAL	Shipments	31,558	850	4,113	1,164	325	41	38,051
	Cost (\$ Millions)	67.4	8.1	51.8	39.1	176.9	1.8	345.1
	Barrels (Millions)	17.3	1.9	53.6	26.6	44.4	0.6	144.4

* Costs associated with OCONUS Pipeline shipments are funded under International Agreement (DESC-F) and have been excluded to avoid duplication information.

** Costs associated with OCONUS Tankers include Pre-positioned Vessels.

TRANSPORTATION EXPENSE

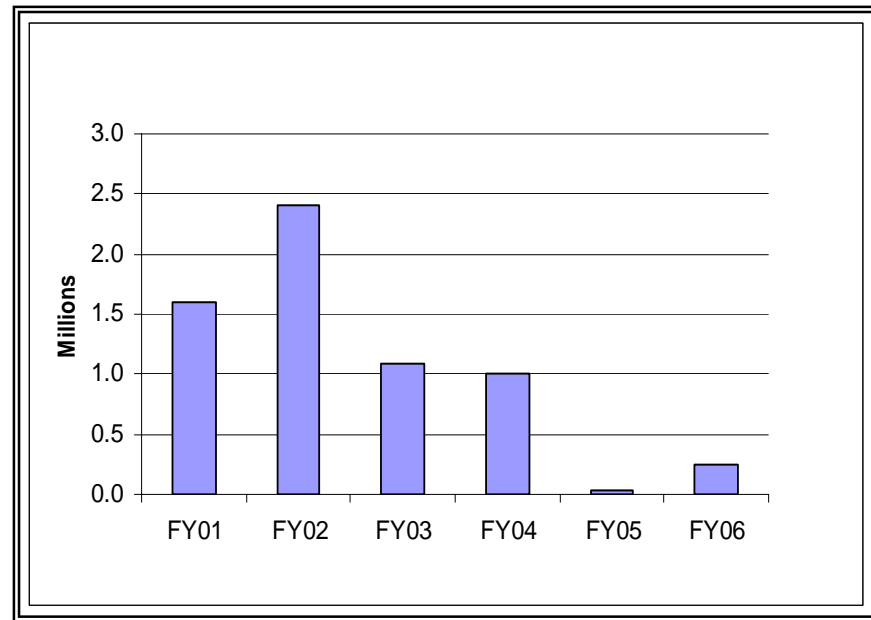
(U.S. Dollars in Millions)

<u>WORLDWIDE PETROLEUM FUEL:</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>
AVGAS	-	0.1	0.1
DISTILLATES & DIESEL	48.2	68.0	77.0
JP-4, JAB, JAA, & JA1	12.3	29.7	54.4
JP-5	42.4	41.1	50.3
JP-8, JPTS	197.9	228.6	248.7
LUBE OILS	0.1	0.1	0.1
MOGAS (LEADED & UNLEADED)	2.7	6.8	6.9
RESIDUALS	2.1	2.9	2.6
TOTAL	\$305.7	\$377.3	\$440.1
WORLDWIDE AEROSPACE ENERGY	\$0.9	\$2.7	\$3.3

DEMURRAGE COLLECTED

(U.S. Dollars in Millions)

FISCAL YEAR	TOTAL
2006	\$0.25
2005	\$0.04
2004	\$1.00
2003	\$1.08
2002	\$2.40
2001	\$1.60

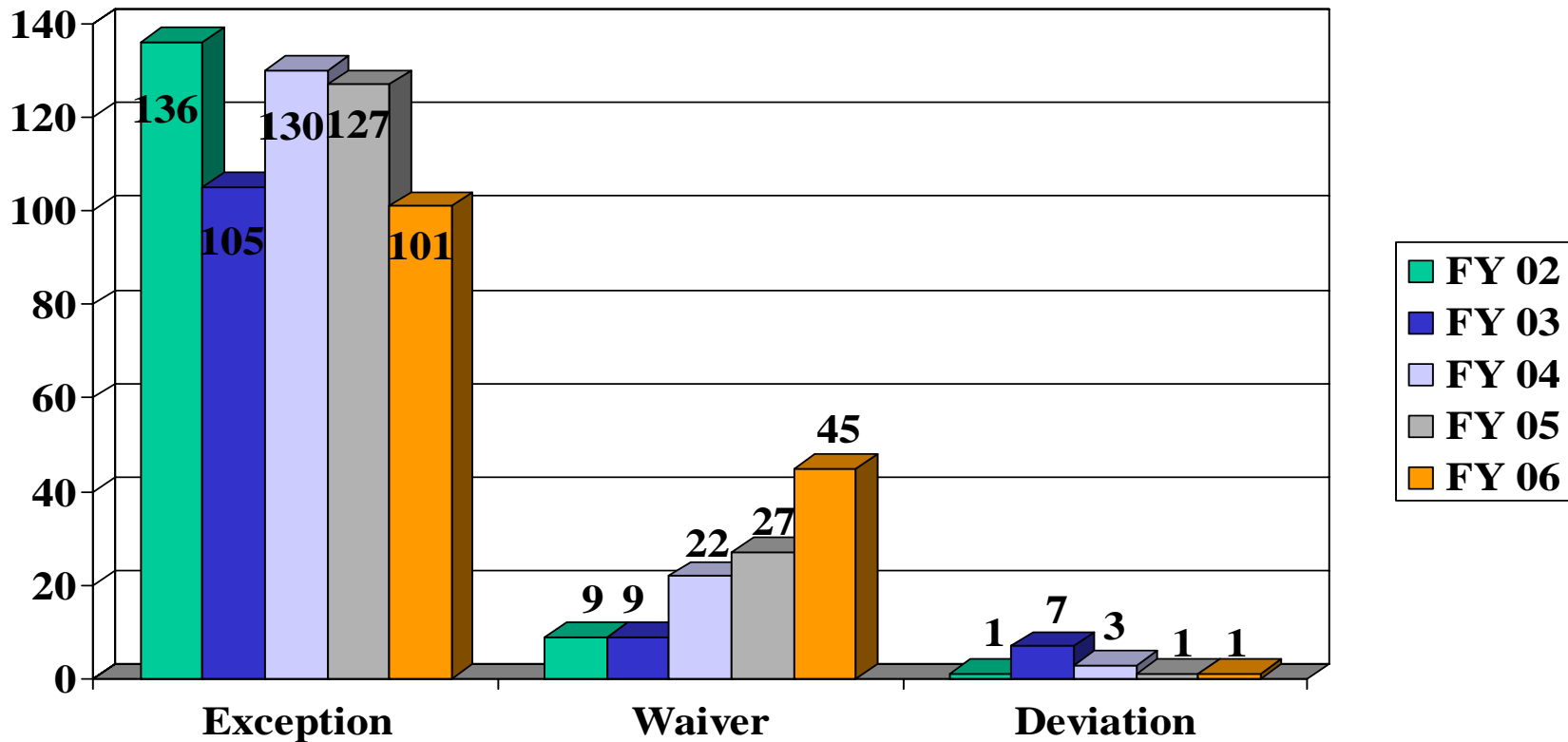


PRODUCT TECHNICAL REVIEWS

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PRODUCT TECHNOLOGY AND STANDARDIZATION

Technical Reviews for Bulk Programs (FY 02 to FY 06)



Exception: A request made by an offeror to deviate from the proposed solicitation requirements before contract award.

Waiver: A request made by a contractor to deviate from contract requirements after production of the product (one-time request only or for a set period).

Deviation: A request made by contractor to deviate from contract requirements after contract award but prior to production of the product.

PRODUCT TECHNOLOGY & STANDARDIZATION DIVISION

Technical Reviews For Bulk Programs

FY 06

BULK PROGRAM	Exception	Waiver	Deviation	Total
Atlantic/Europe/Mediterranean 1/	4	6	1	11
Deep Freeze (Antarctica)	6	0	0	6
Foreign Military Sales	7	4	0	11
Inland/East/Gulf Coast 2/	12	20	0	32
Lubes/Additives^{3/}	5	2	0	7
Rocky Mountain/West 4/	16	6	0	22
Western Pacific 5/	30	2	0	32
Afghanistan/Pakistan	16	3	0	19
Iraq	4	2	0	6
Middle East	1	0	0	1
	101	45	1	147

^{1/} **Atlantic/Europe/Mediterranean:** Spain, Azores, Central Europe, United Kingdom, Norway, Italy, Greece, Turkey, Ascension Island, and Germany

^{2/} **Inland/East/Gulf Coast:** Alabama, Arkansas, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Guantanamo Bay, Bermuda, Canal Zone, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Texas (except El Paso), Vermont, Virginia, West Virginia, Wisconsin, and Wyoming.

^{3/} **Lubes/Additives:** LO6, LA6, LTL and FSII

^{4/} **Rocky Mountain/West:** Alaska, Arizona, California, Hawaii, Idaho, Johnston Island, Kwajalein, Montana, Nevada, Oregon, New Mexico, Utah, Washington, Wake Island, and El Paso, TX.

PRODUCT TECHNOLOGY & STANDARDIZATION DIVISION

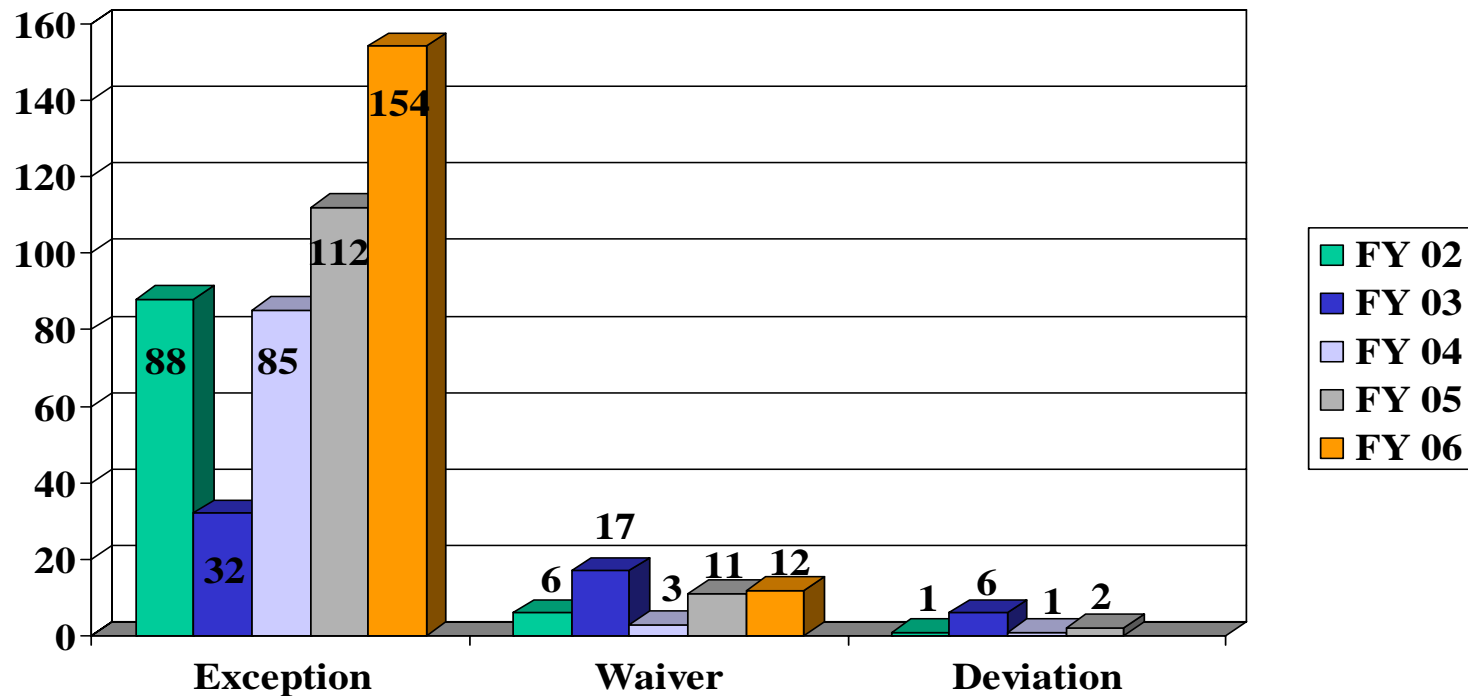
Top Five Technical Reviews Submitted by Fuel Suppliers Under The BULK PROGRAM¹ FY06

<u>Technical Reviews</u>	<u>Percent of Total Reviews</u>
Alternate Testing	25.2
Additives	15.0
Specification Review	12.9
Sulfur	6.1
Acid Number	4.8
TOTAL	55.2

1/ The above chart is all inclusive of exceptions, waivers and deviations and provides information on the type of request submitted by fuel suppliers.

PRODUCT TECHNOLOGY AND STANDARDIZATION

Technical Reviews for Direct Delivery Programs (FY 02 to FY 06)



Exception: A request made by an offeror to deviate from the proposed solicitation requirements before contract award.

Waiver: A request made by a contractor to deviate from contract requirements after production of the product (one-time request only or for a set period).

Deviation: A request made by contractor to deviate from contract requirements after contract award but prior to production of the product.

PRODUCT TECHNOLOGY & STANDARDIZATION DIVISION

Technical Reviews for Direct Delivery Programs

FY 06

<u>DIRECT DELIVERY PROGRAM</u>	<u>Exception</u>	<u>Waiver</u>	<u>Deviation</u>	<u>Other</u>	<u>Total</u>
Afghanistan	48	0	0	0	48
Australia	7	0	0	0	7
Bahamas	0	3	0	0	3
Bunkers (Domestic)	0	7	0	0	7
Bunkers (Overseas)	74	1	0	0	75
Domestic PC&S (Hawaii)	1	1	0	0	2
El Salvador	2	0	0	0	2
Honduras	1	0	0	0	1
Japan	10	0	0	0	10
Korea	5	0	0	0	5
Turkey	6	0	0	0	6
	154	12	0	0	166

Exception: A request made by an offeror to deviate from the proposed solicitation requirements before contract award. (Example: The solicitation requires JP8 and the offeror states that he can only offer or guarantee Jet A1)

Waiver: A request made by a contractor to deviate from contract requirements after production of the product (one-time request only or for a set period). (Example: The contractor tests the finished product and finds the distillation 10% recovered temperature does not meet specification requirement. The contractor requests DESC to accept the product as is.)

Deviation: A request made by contractor to deviate from contract requirements after contract award but prior to production of the product. (Example: A contractor receives a new crude oil and believes he shall deviate from a particular specification requirement using his normal production process. The contractor requests permission to deviate in anticipation of not meeting the specification.

PRODUCT TECHNOLOGY & STANDARDIZATION DIVISION

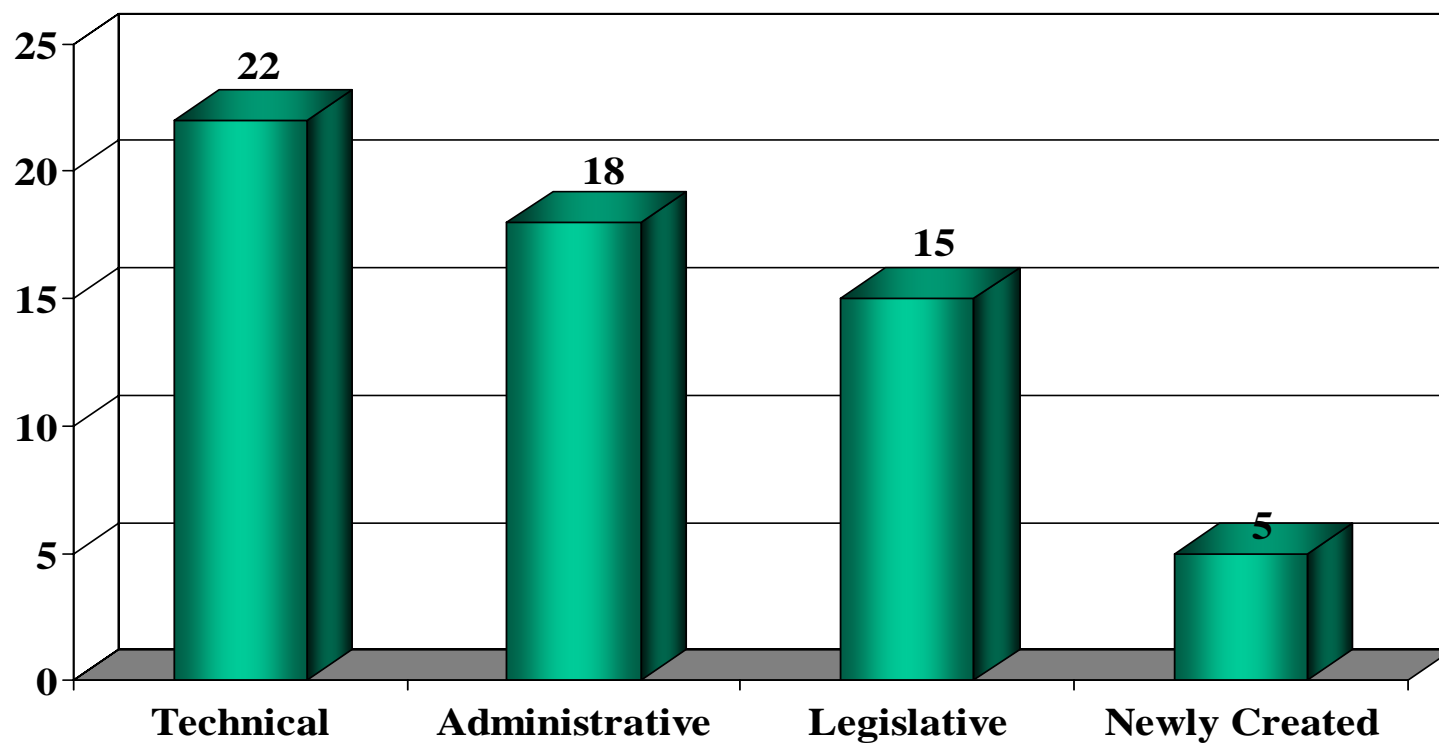
Top Eight Technical Reviews Submitted by
Fuel Suppliers Under DIRECT DELIVERY¹
FY06

<u>Technical Reviews</u>	<u>Percent of Total Reviews</u>
Specification Review	25.3
Cloud/Pour point	8.4
Distillation	7.2
Alternate Testing	6.6
Sulfur	4.8
Carbon Residue	4.8
Viscosity	4.8
Quantity Determination	4.8
TOTAL	60.8

1/ The above chart is all inclusive of exceptions, waivers and deviations and provides information on the type of request submitted by fuel suppliers.

PRODUCT TECHNOLOGY AND STANDARDIZATION

“C” Clause Changes for FY 06



INTERNATIONAL AGREEMENTS

<u>TITLE</u>	<u>PAGE</u>
Facility/Service Agreements	45

STORAGE, PIPELINE, PRODUCT, SERVICE, FUEL EXCHANGE AGREEMENTS IN PLACE

FY06

(U.S. Dollars in Millions)

<u>REGION</u>	<u># AGREEMENTS</u>	<u>ANNUAL BUDGET</u>
DESC-EUROPE	9	\$50.9
DESC-MIDDLE EAST	3	\$37.9
DESC-PACIFIC	3	\$14.2
DESC-AMERICAS	0	\$0
FEA'S/RIK'S	20	\$217.2**
TOTAL	35	\$320.2



** Net: Sales to Foreign Gov = \$217.2 / Recd from Foreign Govt = \$48.2

DESC CONTRACT STATISTICS

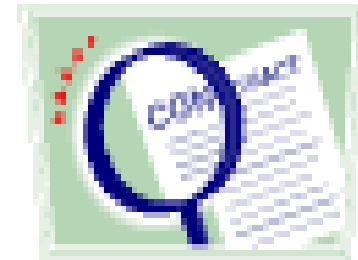
<u>TITLE</u>	<u>PAGE</u>
Petroleum Contract Introduction	46
Contract Award Data	47
Top Ten Petroleum Suppliers	48
Top Ten Installation Energy Suppliers	49
Environmental Contracts	50
Testing Contracts	51

PETROLEUM CONTRACT INTRODUCTION

FY06

NATURE OF DESC PETROLEUM PRODUCT CONTRACTS

- ✓ **Contracts are requirements-type contracts.**
- ✓ **Minimum/maximum delivery order limitations are defined.**
- ✓ **Fuel is called forward through delivery orders.**
- ✓ **Contracts contain price adjustment clauses.**
- ✓ **Contract prices are indexed to market price indicators.**
- ✓ **All indicators are carefully selected and tested by the DESC Market Research and Analysis Office.**
- ✓ **Contract prices are adjusted upward or downward as indicators rise or fall.**
- ✓ **DESC pays the contract price in effect on the date of delivery, or as otherwise adjusted in the contract price.**





CONTRACT AWARD DATA FY06



	U.S. DOLLARS MILLIONS	CONTRACT ACTIONS
<u>BULK FUEL DIVISION</u>		192
DOMESTIC	5,186.5	
OVERSEAS	3,094.0	
LUBES/ADDITIVES/JPTS	52.2	
FOREIGN MILITARY SALES (FMS)	200.3	
OPERATION IRAQI FREEDOM/ENDURING FREEDOM	997.6	
<u>GROUND FUELS DIVISION</u>		1,084
DOMESTIC	600.1	
OVERSEAS	1,346.9	
BUNKERS	1,437.0	
<u>SPECIALTY FUELS DIVISION</u>		106
INTO-PLANE	351.7	
<u>FACILITIES PROCUREMENT DIVISION</u>		473
STORAGE	73.4	
ALONGSIDE AIRCRAFT REFUELING	29.0	
ENVIRONMENTAL	7.4	
TESTING/SERVICES	0.7	
MISCELLANEOUS	7.5	
<u>INSTALLATION ENERGY</u>		92
NATURAL GAS	160.9	
COAL	36.5	
ELECTRICITY	434.8	
<u>ENERGY ENTERPRISES</u>		42
UTILITY PRIVATIZATION	39.2	
ENERGY SAVINGS PERFORMANCE CONTRACTS	38.5	
<u>AEROSPACE ENERGY</u>	46.1	1,039
TOTAL	14,140.3	3,028

NOTE: DATA SOURCE IS FY06 DD350s WHICH REPRESENT CONTRACT ACTIONS (ESTIMATED DOLLAR VALUE)

SOURCE: PROCUREMENT PLANNING AND SUPPORT DIVISION, PROCUREMENT OVERSIGHT BRANCH



FY06

TOP TEN DESC PETROLEUM SUPPLIERS

(U.S. Dollars in Millions)

<u>SUPPLIER</u>	<u>AWARD AMOUNT</u>	<u>% OF TOTAL CONTRACT \$</u>
BP	\$1,190.0	9.2%
EXXONMOBIL	\$1,178.0	9.1%
SHELL	\$1,150.9	8.9%
KUWAIT PETROLEUM CORPORATION	\$ 909.3	7.0%
VALERO MARKETING AND SUPPLY COMPANY	\$ 661.2	5.1%
REFINERY ASSOCIATES OF TEXAS, INCORPORATED	\$ 576.6	4.4%
ABU DHABI NATIONAL OIL COMPANY	\$ 494.3	3.8%
THE BAHRAIN PETROLEUM COMPANY	\$ 477.5	3.7%
SK CORPORATION	\$ 402.7	3.1%
GS CALTEX CORPORATION	<u>\$ 356.2</u>	<u>2.7%</u>
<u>TOTAL</u>	\$7,396.6	56.9%

FY06 TOP TEN INSTALLATION ENERGY SUPPLIERS*

(U.S. Dollars in Millions)

<u>SUPPLIER</u>	<u>CONTRACT \$\$</u>	<u>% OF TOTAL CONTRACT \$</u>
AMERADA HESS CORP.	\$ 329.4	16%
PEPCO ENERGY SERVICES	\$ 293.5	14%
WASHINGTON GAS ENERGY SERVICES	\$ 204.6	10%
BP ENERGY	\$ 155.9	7%
CONSTELLATION NEW ENERGY	\$ 135.0	6%
TIGER NATURAL GAS	\$ 91.4	4%
RELIANT ENERGY SOLUTIONS EAST	\$ 83.1	4%
SEMINOLE ENERGY SERVICES, LLC	\$ 73.4	3%
CONEDISON SOLUTIONS	\$ 63.8	3%
WASATCH ENERGY, LLC	\$ 62.8	3%
TOTAL	\$1,492.8	71%

* Represents FY06 single and multi-year contracts

ENVIRONMENTAL CONTRACTS

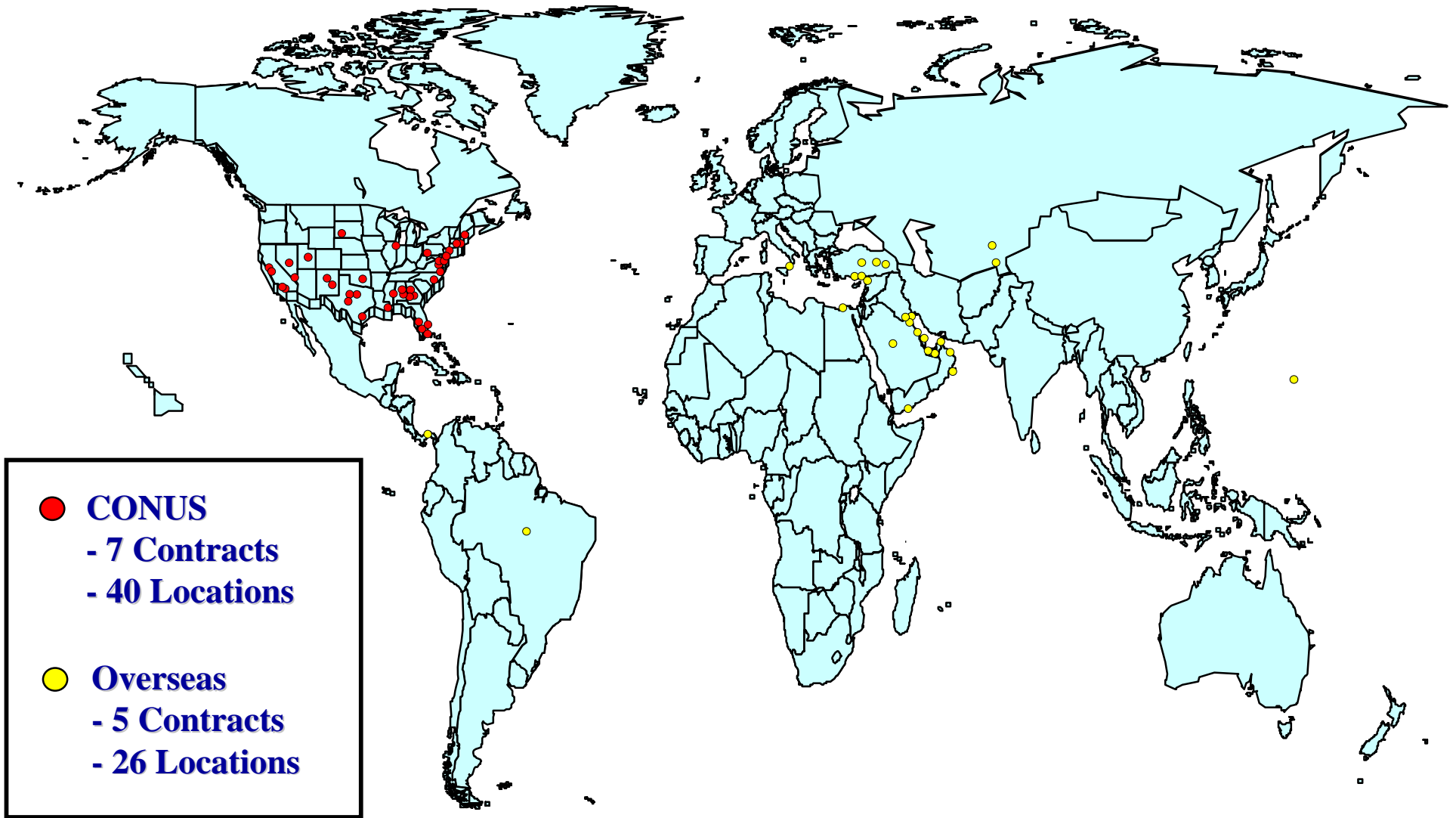
FY06



- 23 Assessment/Remediation Contracts at DLA-Managed GOCOs
 - 11 Active/12 Inactive
- 7 Environmental Service Contracts
 - Preparation of Environmental Plans – (\$1.5 Mil)
 - Environmental Audits – (\$4.6 Mil)
 - Occupational Safety and Health Services – (\$32 K)
 - Pollution Prevention Studies and Assessments – (\$30 K)
 - Oil Spill Response Training – (\$303 K)
 - Compliance Monitoring – (\$65 K)
- 1 Blanket Purchase Agreement – (\$2.1 Mil)

TESTING CONTRACTS

FY06



FUEL PROCUREMENT

TITLE

PAGE

Into-Plane Contracts

52

Ships Bunkers Contracts

53

Alongside Aircraft Refueling

54

Petroleum Procurement (Bulk Fuels)

55

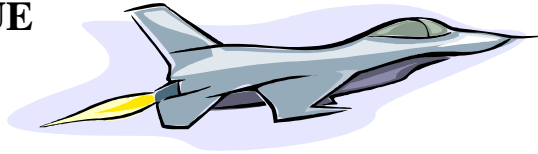
Posts, Camps and Stations Contracts

56

INTO-PLANE CONTRACTS FY06

DOMESTIC (CONUS)

- 332 LOCATIONS SUPPORTED
- \$557M CONTRACT VALUE
- 7.9M BARRELS



OVERSEAS (OCONUS)

- 235 LOCATIONS (81 Countries)
- \$580.3M CONTRACT VALUE
- 9.94M BARRELS

TOTAL SALES

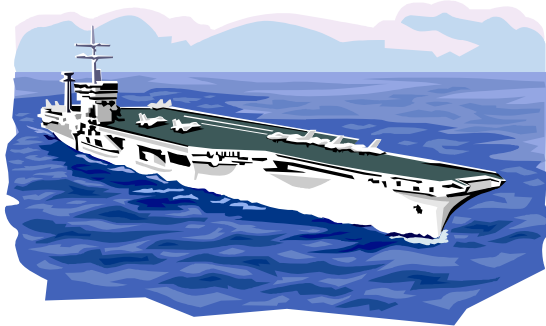
- \$386.6M CONTRACT
- \$153.7M NON-CONTRACT

REPRESENTS ACTIVE MULTI-YEAR CONTRACT DATA AS OF 30 SEP 2006

SHIPS BUNKERS CONTRACTS FY06

DOMESTIC (CONUS)

- 92 PORTS SUPPORTED
- \$324.8M CONTRACT VALUE
- 6.79M BARRELS



OVERSEAS (OCONUS)

- 137 PORTS IN 112 COUNTRIES SUPPORTED
- \$1.18B CONTRACT VALUE
- 22.7M BARRELS

TOTAL SALES

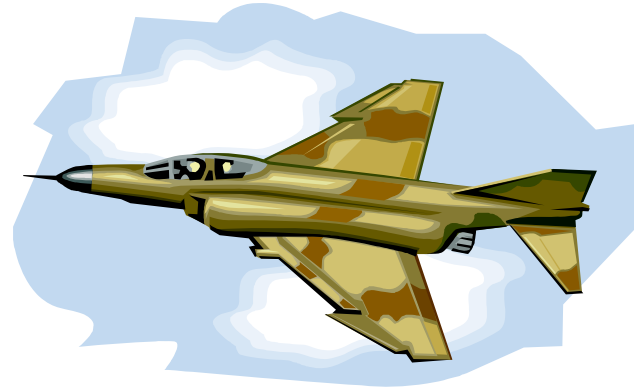
- \$288.9M CONTRACT
- \$48.2M NON-CONTRACT

REPRESENTS ACTIVE MULTI-YEAR CONTRACT DATA AS OF 30 SEP 2006

ALONGSIDE AIRCRAFT REFUELING FY06

CONUS

- 24 LOCATIONS
- \$117.7 MILLION IN CONTRACTS



OCONUS

OKINAWA, JAPAN

SOUDA BAY, CRETE

- \$6.7 MILLION IN CONTRACTS

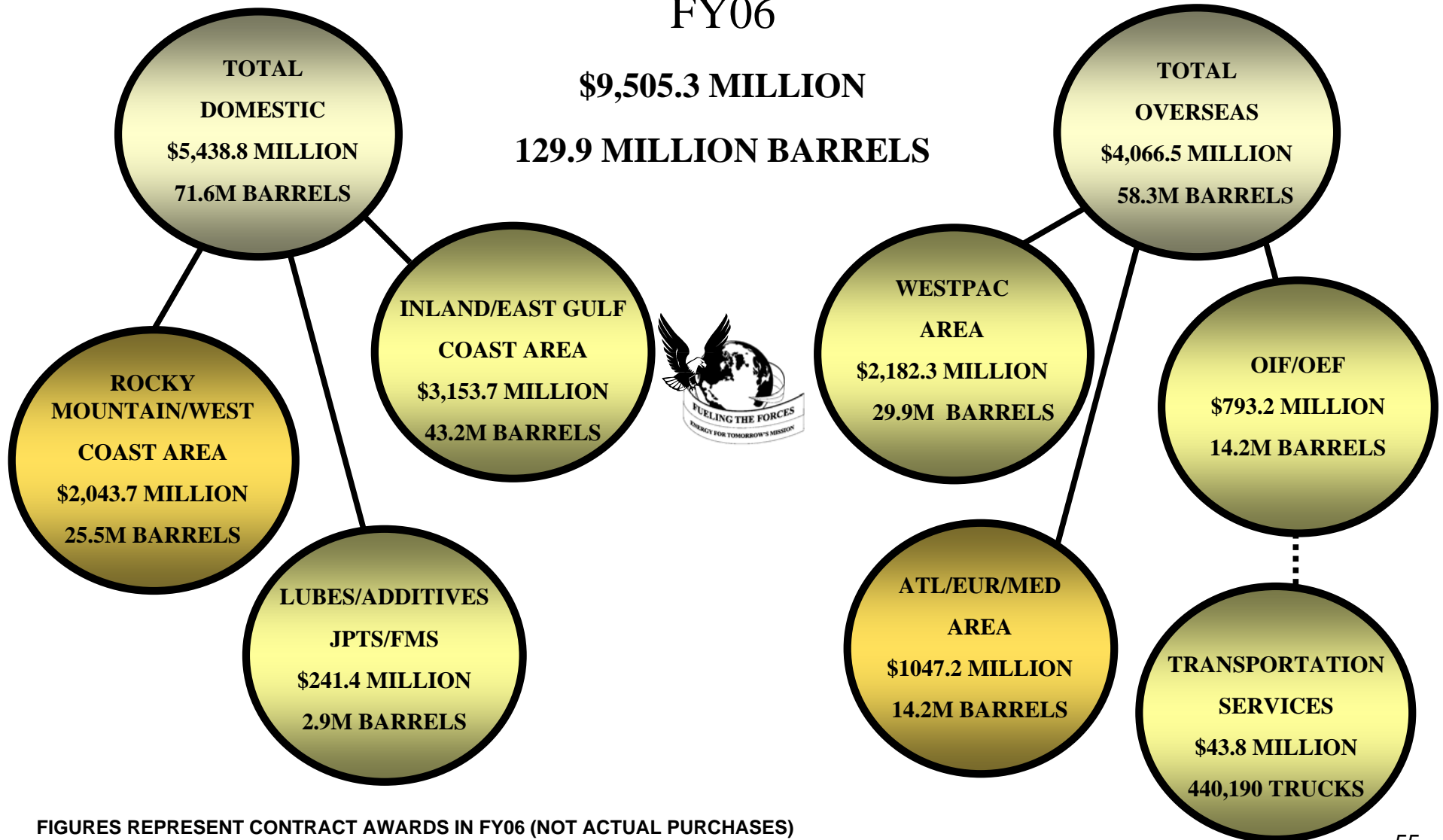
PETROLEUM PROCUREMENT BULK FUELS

(Estimated Amounts)

FY06

\$9,505.3 MILLION

129.9 MILLION BARRELS



FIGURES REPRESENT CONTRACT AWARDS IN FY06 (NOT ACTUAL PURCHASES)

SOURCE: BULK FUELS COMMODITY BUSINESS UNIT

POSTS, CAMPS AND STATIONS CONTRACTS FY06



DOMESTIC (CONUS)

- 290 CONTRACTS
- 1734 ACTIVITIES SUPPORTED
- \$1.6B CONTRACT VALUE
- 22 MILLION BARRELS

OVERSEAS (OCONUS)

- 95 CONTRACTS, 35 COUNTRIES
- 493 ACTIVITIES SUPPORTED
- \$2.1 BILLION
- 27 MILLION BARRELS

REPRESENTS ACTIVE MULTI-YEAR CONTRACT DATA AS OF SEPTEMBER 30, 2006

DESC INSTALLATION ENERGY PROGRAMS

<u>TITLE</u>	<u>PAGE</u>
DESC Coal Program	57
DESC Natural Gas Program	58
DESC Electricity Program	59
DESC Renewable Energy Program	60

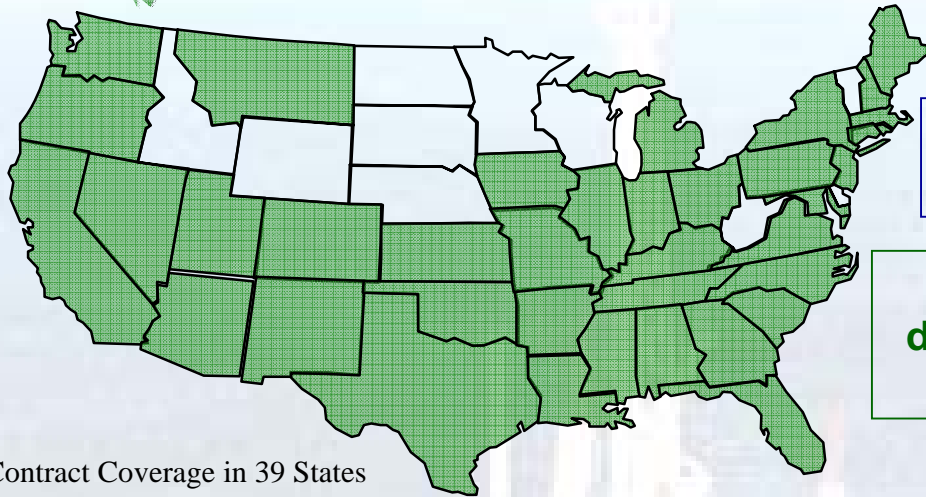
DESC COAL PROGRAM

Summary of Procurements

	Tons	Requirement Dollars
Army	271,845	\$17.7 Million
Air Force	313,970	\$20.7 Million
Navy	130,150	\$15.2 Million
Other	40,000	\$ 4.8 Million
Total	755,965 Tons	\$58.4 Million

	Total FY06 \$\$	Percentage
Small Business	\$53,943,693	92.4%
8(a) Firms	\$ 3,184,500	5.5%
Large Business	\$ 1,266,400	2.1%
Total Dollars	\$58,394,593	100%

DESC NATURAL GAS PROGRAM



In FY06, DESC awarded over 24.4M dekatherms of natural gas valued at over \$160M

In FY06, DESC actively managed over 186M dekatherms of natural gas valued at over \$1.18B under multi-year contracts



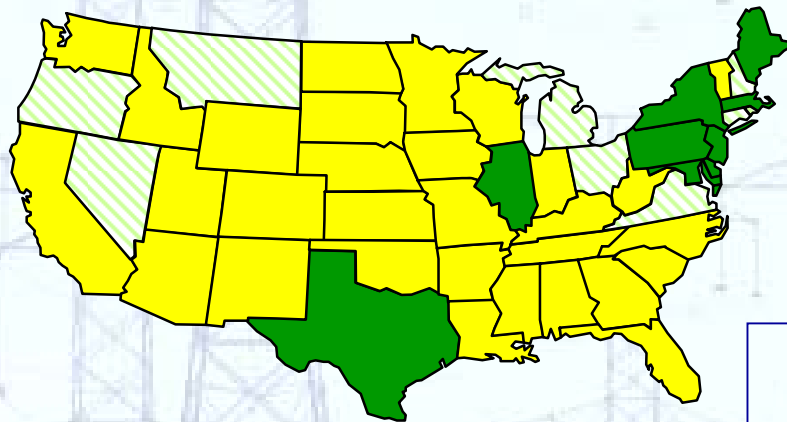
FY06 Natural Gas Program Summary

Service	Number of Customers	FY06 Dths Delivered (Million)	FY06 Expenditures* (Million)	FY06 Cost Avoidance (Million)	FY91-06 Cost Avoidance (Million)
Army	49	13.33	\$135.69	\$ 6.82	\$150.96
Navy/MC	50	12.87	\$132.84	\$ 11.29	\$118.37
Air Force	34	9.78	\$ 84.93	\$ 7.52	\$ 92.09
Other DoD	15	1.54	\$ 16.79	\$ 2.79	\$ 17.73
Fed Civ	61	11.07	\$107.29	\$ 9.88	\$126.29
TOTAL	209	48.59	\$ 477.54	\$38.30	\$ 505.44

* Includes Commodity & Distribution Costs to the Burnertip

DESC ELECTRICITY PROGRAM

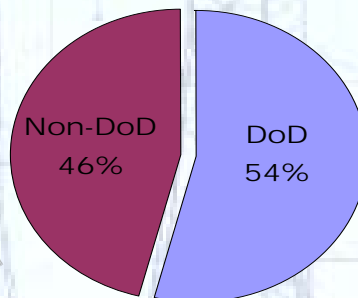
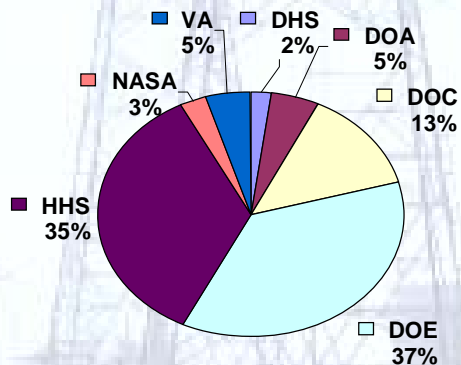
DESC has experience in all states in which deregulation/restructuring has occurred and in which requirements have been received.



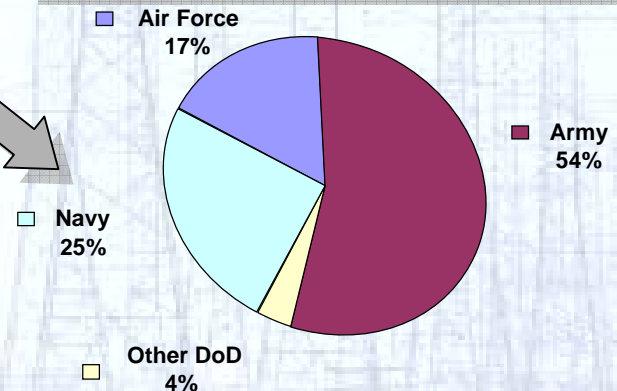
-  **Retail Access Implemented, DESC awarded contracts**
 **Retail Access Implemented, DESC solicited, no awards**
 **Retail Access pending, DESC monitoring market**

In FY06, DESC awarded over 4.1M megawatt hours of electricity valued at over \$346M

<p><u>Total FY06 Awards to Non-DoD</u></p> <p>1.9M MWh</p> <p>\$158.1M</p>
--



<p><u>Total FY06 Awards to DoD</u></p> <p>2.2M MWh</p> <p>\$188.0M</p>
--



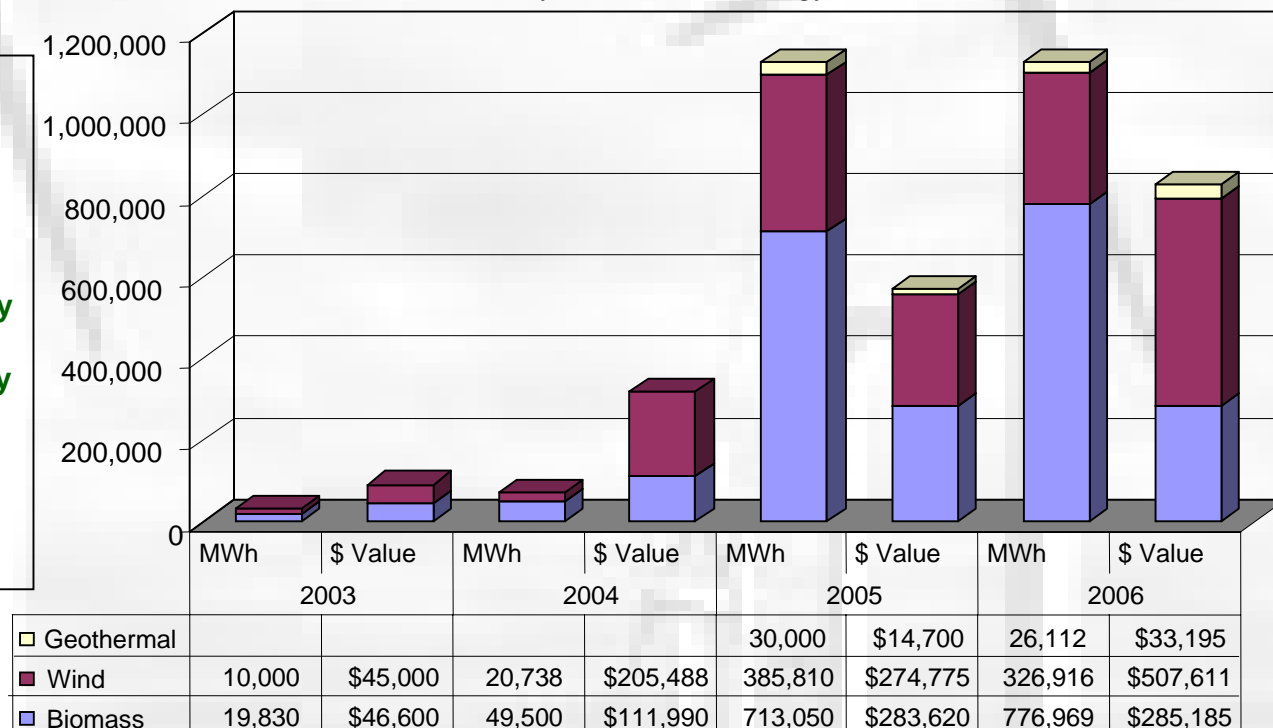
DESC RENEWABLE ENERGY PROGRAM

In FY06, the DESC Electricity team awarded over 1.1M Megawatt hours of Renewable Energy Credit (Green Tag) contracts valued at \$826k

DESC REC customers:

Air Force
Bureau of Indian Affairs
Bureau of Public Debt
Department of Commerce
Department of Energy
Department of Homeland Security
Department of Labor
Environmental Protection Agency
Food & Drug Administration
NASA
National Institute of Health
Internal Revenue Service
US Department of Agriculture

Summary of Renewable Energy Purchases (2003-2006)

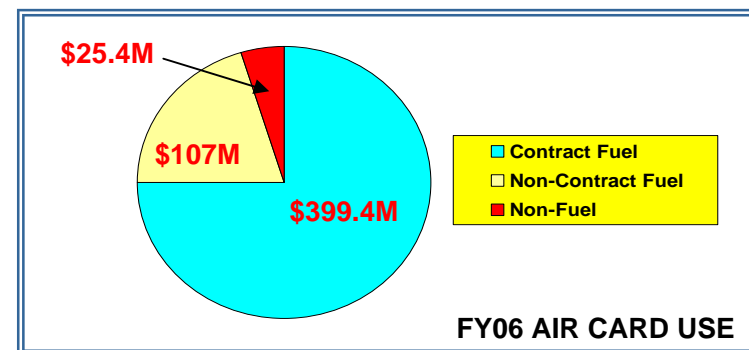


DESC CARD PROGRAMS

<u>TITLE</u>	<u>PAGE</u>
AIR Card	61
DoD Fleet Card	62
SEA Card	63

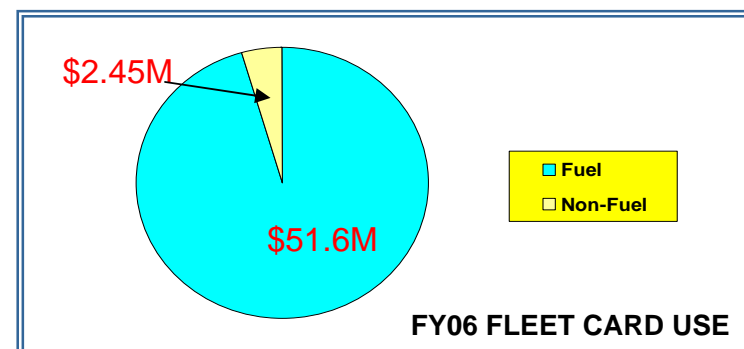
AIR CARD

- Warfighter Benefits
 - Supports intoplane fueling
 - Eliminates manual identaplate
 - Facilitates standard unit prices
 - Accepted at over 7000 locations worldwide – 190 countries
 - Discounted prices: Non-contract price savings - \$9.9M in FY06



DoD FLEET CARD

- Warfighter Benefits
 - Supports fuel and minor vehicle parts/services
 - Accepted at over 200,000 commercial locations
 - Eliminates manual paper processes
 - Facilitates standard unit pricing
 - \$2.7 million direct tax rebates in FY06



SEA CARD

- Warfighter Benefits
 - Supports ships' bunker refueling
 - Total on-line order management system
 - Eliminates inefficient manual paper process
 - 24/7 customer service support
 - Pilot test commenced Oct 06, ended Jun 06
 - DESC-D approved move to production Jul 06
 - 137 vessels registered as of Oct 06
 - 213 transactions
 - 44.7M gallons
 - \$81.5M

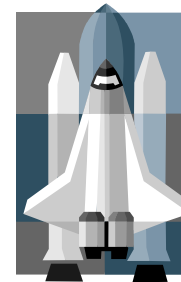


AEROSPACE ENERGY

TITLE

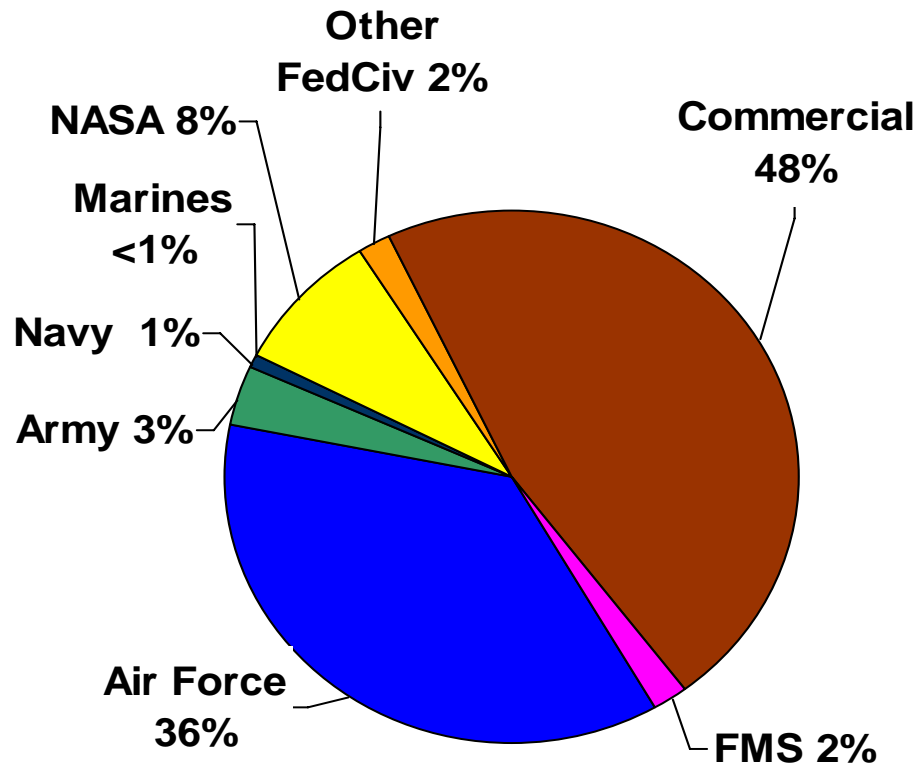
PAGE

Aerospace Energy Customer Profile
Contracting Overview
Major Programs Supported
Hazardous Material Shipments
Solutions for Today's Energy Challenges

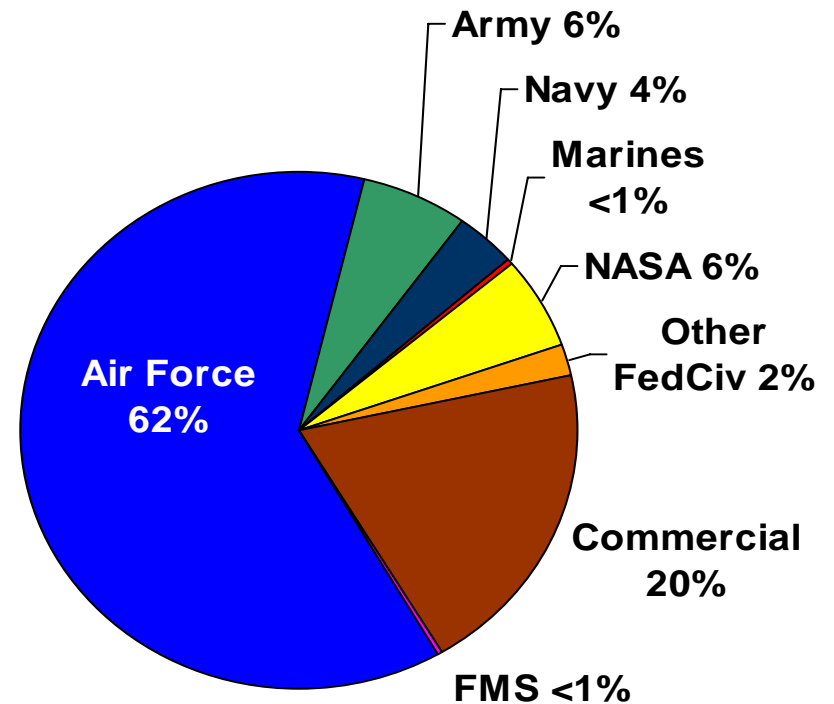


64
65
66-67
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AEROSPACE ENERGY CUSTOMER PROFILE



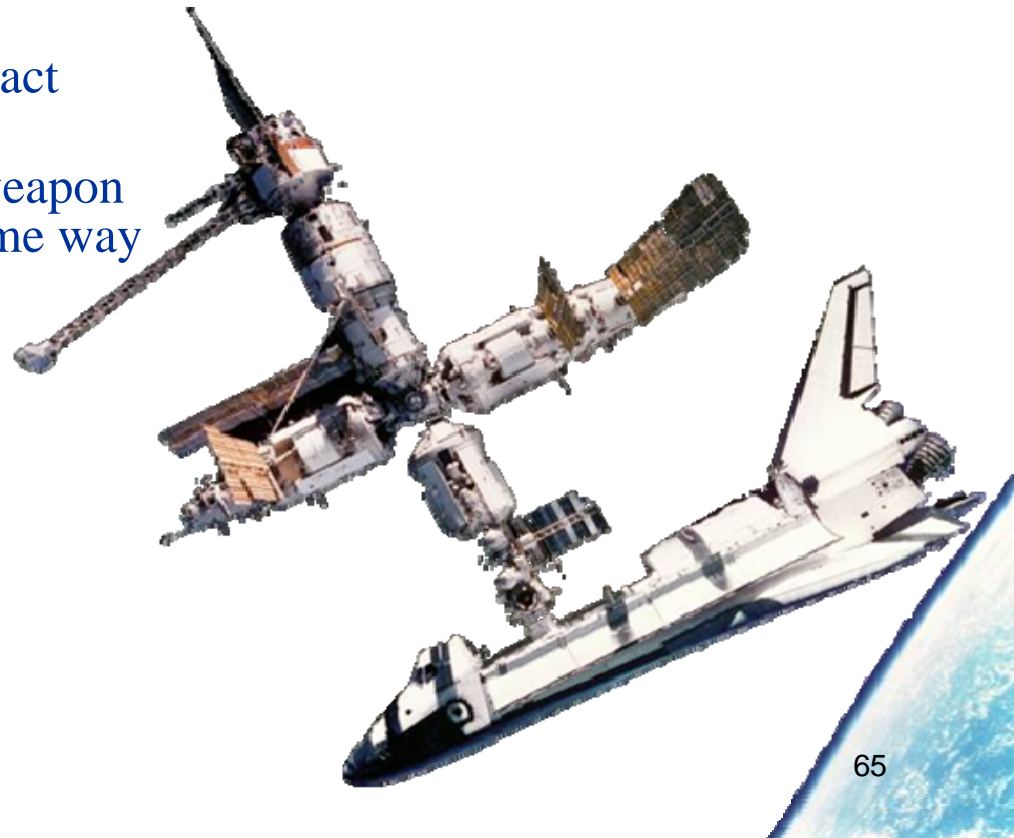
By Total Sales
\$31,200,000



By Number of Customers
298

CONTRACTING OVERVIEW

- 92 NSN's – 29 different products
 - 3 Product Classes – Liquid Propellants, Cryogenics, and Compressed Gases
- 86 Active contracts
 - 95% Requirements-type contracts
 - Normally Multi-year - 3 to 5 years
 - Both FOB Origin and Destination
- “Cradle to Grave” – Pre-award to contract closeout
- Every product supports a DoD major weapon system or DoD space application in some way



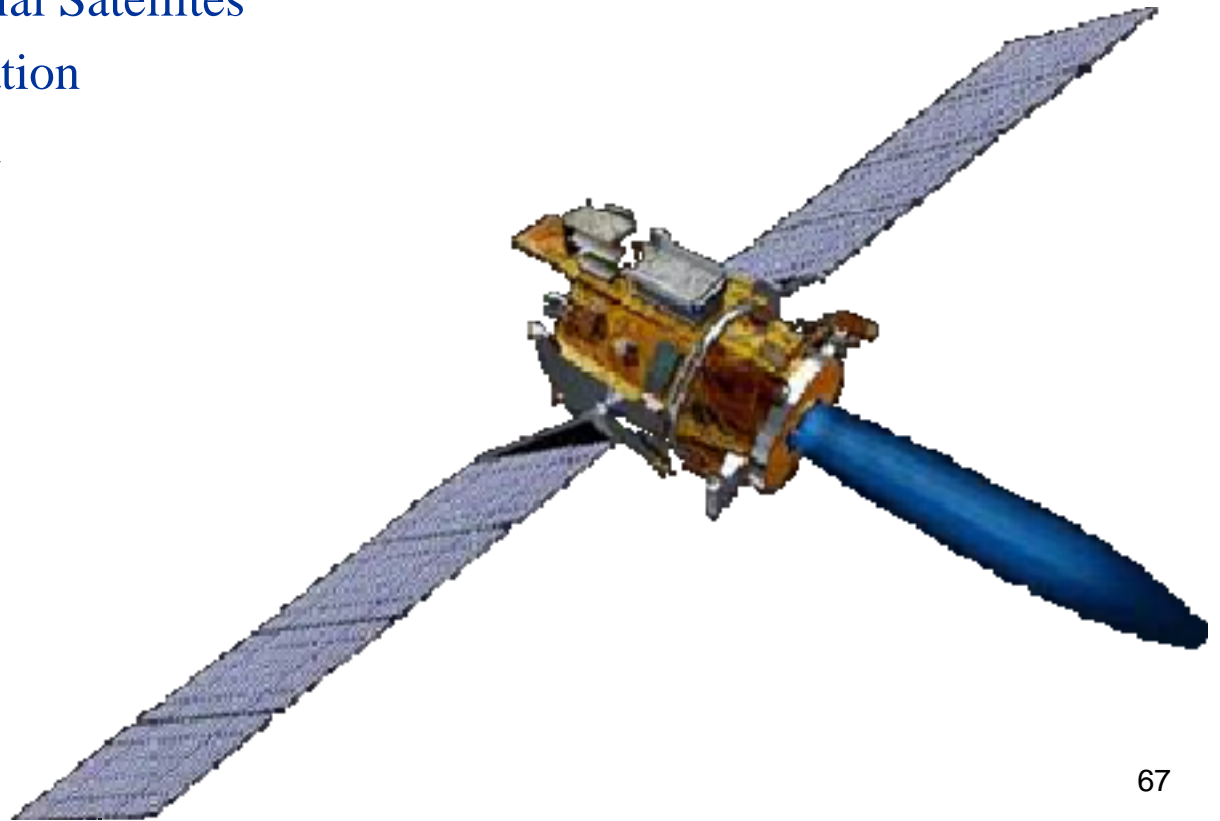
MAJOR PROGRAMS SUPPORTED BY THE AEROSPACE ENERGY CBU

- USAF Delta and Atlas
- Commercial Evolved Expendable Launch Vehicle – Lockheed Martin Atlas V and Boeing Delta IV
- F-16 Emergency Power Unit
- F-15/F-16 Air Intercept Missile, Avenger, Sidewinder
- Cruise Missiles – Navy Tomahawk, Harpoon, & USAF ALCM/ACM
- AIM-9 and Stinger Missiles
- Research and Development (R&D) Programs



MAJOR PROGRAMS SUPPORTED BY THE AEROSPACE ENERGY CBU – cont'd

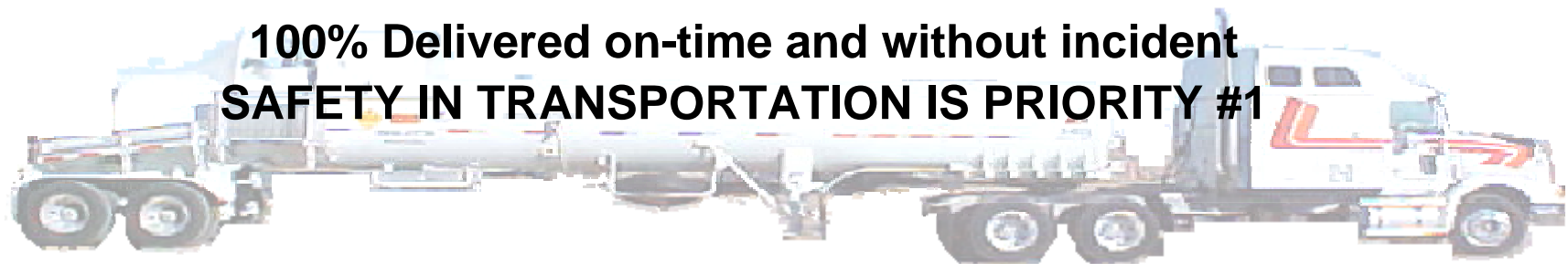
- Army THAAD (Terminal High Altitude Area Defense)
- DoD Aircraft Life Support & Maintenance
- USAF and Army Aerostat Programs
- Military and Commercial Satellites
- International Space Station
- DEA Drug Interdiction
- DoD Laser Programs
- NASA Space Shuttle



HAZARDOUS MATERIAL SHIPMENTS BY AEROSPACE ENERGY TRANSPORTATION BRANCH

PRODUCT	CYLINDERS/DRUMS	BULK
Helium	2471	378
Argon	2020	
Hydrazine	323	9
JP-10/PF-1	240	24
N ₂ O ₄ /IRFNA	181	1
RP-1	24	13
Deuterium		2
Total	5259	427

100% Delivered on-time and without incident
SAFETY IN TRANSPORTATION IS PRIORITY #1



AEROSPACE ENERGY SOLUTIONS FOR TODAY'S ENERGY CHALLENGES

CUSTOMER	CHALLENGE	DESC SOLUTIONS
US Army's OIF Aerostat Programs	Product delivery to Aerostat customers in Iraq taking 2-3 weeks; possible mission failure.	Established a DFSP in Iraq for distribution of bulk helium in 59 DLA-owned trailers; product delivery to customer reduced to 2-3 hours.
USAF Aviators Breathing Oxygen (ABO)/Liquid Nitrogen (LIN)	Supply chain redundancy; no quality assurance inspection at fill points	Established full supply chain management of USAF ABO/LIN requirements worldwide; quality assurance performed at supplier fill points; standard prices resulted in budget predictability for USAF.
All Customers of Dinitrogen Tetroxide (N2O4)	No commercial storage availability for bulk N2O4; continued use by DESC of Government-owned hypergols storage facility (HSF) at Vandenberg AFB (VAFB) at risk due to USAF budget realignment of Civil Engineering funds.	Entered into agreement with 30th Space Wing at VAFB for bulk storage and distribution of N2O4 to all DESC customers; DESC obtained approval to budget for Sustainment/Restoration and Modernization (S/RM) funding for the HSF; funds provided in FY06 for three major S/RM projects.
All Customers of Bulk Hypergols	Maintain reliable and safe delivery of greatly reduced requirements of bulk hypergols at reasonable prices to DESC customers.	Created a performance-based requirement; eliminated standby and maintenance fees; created specialized Economic Price Adjustment provisions to minimize industry risk to high diesel fuel costs.

DESC's "THE BEST OF"

<u>TITLE</u>	<u>PAGE</u>
Highlights of FY 2006	70-83

DEFENSE ENERGY SUPPORT CENTER

HIGHLIGHTS FOR FY06

FEMA CONTINGENCY SUPPORT: After a devastating 2005 hurricane season that included major disasters caused by Hurricanes Katrina and Rita, the Federal Emergency Management Agency (FEMA) and the Defense Logistics Agency (DLA) entered into an agreement whereby DLA agreed to provide support to FEMA in the event of natural or man-made disasters, and national emergencies. Under the contingency support agreement signed on March 31, 2006, DESC will provide emergency MOGAS and diesel fuel support to FEMA mobilization centers, staging areas, and evacuation routes during national emergencies and disasters within the United States. The initial focal areas to be satisfied under the agreement were the Southeast and Gulf Coast of the United States. To better prepare FEMA for future crisis, DESC contracts and programs were developed to support the areas completely devastated one year earlier. Central to the requirement was the need for contractor(s) to be on-call to support various locations within 24-hours of notification and provide the necessary equipment and personnel to sustain FEMA fueling requirements. Key to program success included an analysis of vendor readiness capability to sustain fuel support during crisis mobility operations. DESC utilized best value contracting techniques to ensure the selection of suppliers represented the best value to the government, based on past performance, technical capability and price. Additionally, DESC will provide liaison officers (LNOs) at FEMA mobilization centers and staging areas as requested by FEMA. DESC LNOs, provided by DESC Americas, will facilitate the timely and accurate delivery of fuel to meet FEMA requirements. In response to future requirements, DESC Americas developed crisis support teams to respond and coordinate fuel in support of FEMA requirements. DESC Americas identified and trained over 50 Americas' personnel and Army Reserve Senior Non-Commissioned Officers to respond as DESC Americas LNOs to FEMA. Each LNO Team is equipped with contingency packages that include laptops, air cards, cell phones, satellite phones, and government vehicles. DESC Americas is able to deploy crisis support teams to as many as ten FEMA sites. DESC continues to work closely with FEMA to support other FEMA regions in the country and overseas.

DESC AMERICAS SUPPORTS TWO RED FLAG EXERCISES AT NELLIS AFB, NV: Designed to replicate the first 10 days of a major conflict, the RED FLAG exercise held around the vast Nellis AFB gunnery and bombing range is possibly the most realistic aerial exercise staged in the western world. RED FLAG incorporates the many different roles employed, including air superiority, strike attack and Close Air Support. The E-3 Sentry Airborne Warning and Control System (AWACS) and E-8C Joint Stars aircraft play a significant role in the training by using their unique radar capabilities to monitor and support many aspects of the "Blue" force effort. DESC Americas supplies JP-8 to Nellis AFB through the CalNev Kinder Morgan pipeline system originating in the KM terminals at Watson Station (Long Beach, CA) and ending at the Las Vegas, NV terminal. Historically, RED FLAG exercises use between 9.2 and 10 million gallons of JP-8 in an average exercise lasting four to five weeks. DESC Americas supported two RED FLAG exercises during Fiscal Year 2006. The first was conducted from January 22 through February 18, 2006 and the second from August 6 through September 2, 2006. DESC Americas pre-positioned over 14.6 million gallons of JP-8 before each of the exercises at DFSP San Pedro, DFSP Watson Station, Colton, and Las Vegas terminals to support the anticipated consumption and worked closely with Nellis AFB fuels staff to coordinate re-supply shipments throughout both RED FLAG exercises. This effort allowed the support bulk storage systems to be poised and ready for peak JP-8 consumption during the exercises. A record-setting 1,008,966 gallons was issued from the CalNev pipeline terminal to Nellis AFB in a single day on January 31, 2006! In addition, in a re-supply movement to the CalNev pipeline system on February 9, 2006, DFSP Watson Station shipped 3,780,000 gallons (90,000 barrels) in a single shipment. DESC Americas provided over 21.5 million gallons of JP-8 to Nellis AFB ensuring the success of all planned exercise missions during the two exercises.

DESC AMERICAS PROVIDES FUELS LIAISON OFFICER (LNO)/PLANNER TO THE USSOUTHCOM JOINT PETROLEUM OFFICE (JP0):

On February 16, 2006 DESC and USSOUTHCOM finalized a Memorandum of Agreement (MOA) that allowed DESC to provide Liaison Officer (LNO) to perform duties at USSOUTHCOM in the Logistics Directorate (SCJ4) and elsewhere in the USSOUTHCOM Area of Responsibility (AOR). DESC Americas and SSOUTHCOM SCJ4 evaluated candidates and the first DESC LNO to USSOUTHCOM was selected in May 2006. The DESC LNO/Planner to USSOUTHCOM assists in planning and coordinating USSOUTHCOM fuel requirements. He also serves as a direct interface between both Commands. DLA is now finalized a Performance Based Agreement (PBA) with USSOUTHCOM that will terminate all prior MOAs between DLA and USSOUTHCOM. The DESC LNO/Planner to USSOUTHCOM will remain key component in the PBA and will better enable DESC to jointly develop support plans with USSOUTHCOM JPO during un-programmed situations/events and contingencies in order to set conditions for successfully fulfilling USSOUTHCOM's fuel requirements against operation plan (OPLAN) and mission requirements.

DESC AMERICAS SUPPORTS ARMY QUARTERMASTER LIQUID LOGISTICS EXERCISE (QLLEX-06):

QLLEX is an annual Army-wide petroleum transportation and water exercise with command and control exercised by the 475th Quartermaster Group. DESC Americas facilitates the line haul portion of the exercise by allowing Army reserve units to load fuel at DFSPs for delivery into Fuel System Supply Points (FSSPs) and to DESC customers. This year's exercise ran from June 12-23, 2006. DESC-AM coordinated with the 475th for QLLEX truck companies to load fuel at six DFSPs for delivery to seven FSSPs at six separate operating locations and 19 DESC customers. Certified Army Mobile Labs tested the fuel stored in the FSSP bladders. Although all six labs had limited B-1 testing capability, DESC Americas' QARs ensured uninterrupted customer support by augmenting Army capabilities with various resources to ensure all samples were on-specification. Quality Day was held on the first day of the exercise (June 12) and DESC Americas QARs inspected Army tankers to determine if they met load and fuel haul standards. Quality Day results were very good with Army trucks achieving a 95 percent pass rate, largely a result of the pre-inspections conducted by the DESC Americas QARs. This year's QLLEX also supported the Army Reserve Command's Patriot Warrior exercise.

Around 2,000 reservists and 188 Army tank trucks participated in QLLEX-06 hauling and delivering over 1.98 million gallons of JP-8 to 19 DESC customers during the 2-week exercise.

DESC AMERICAS INCREASES SUPPORT FOR AEROSPACE ENERGY SPECIAL PROCUREMENT ITEMS:

DESC Americas Quality Assurance Representatives (QARs) have greatly increased support provided to Aerospace Energy specialty procurement items like Aviator's Breathing Oxygen (ABO), Liquid Nitrogen, Type I Grade A Helium, Helium Dewars, Methanol, Deuterium, and Argon. DESC Americas QARs have conducted numerous Post-Award Conferences with new suppliers discussing the contract requirements, applicable product specifications and reviewed sampling and loading procedures as well as the pre-production and periodic sampling and analysis requirement for ABO. There are 87 contractors and over 140 different fill-points on contract to provide required products on an Indefinite Delivery and Indefinite Quantity (IDIQ) basis. These contracts support DoD requirements, various R&D efforts in CONUS locations and Operations Iraqi Freedom and Enduring Freedom (OIF/OEF) in various OCONUS locations. Americas' QARs play a central role in verifying that the contractors are responsible, capable, and ready to produce product and make delivery on the contracts. In addition, DESC Americas QARs have inspected and certified government furnished trailers filled with helium for the aerostat programs that are sent to Iraq in support to OIF.

FOL MANTA, ECUADOR SUPPLIER CHALLENGES: Forward Operating Location (FOL) Manta is a joint use Ecuadorian Air Force Base that the United States uses for counter-narcotics trafficking surveillance missions. DESC provides fuel support to the FOL through an into-plane contract. Fuel supply from the prime Ecuadorian supplier has been an ongoing problem. Over the last year, the problem has become more pronounced as operations have been curtailed due to lack of fuel. Many mitigating actions have taken place to include having the into-plane contractor establish a completely separate supply chain, importing fuel from Peru. An assessment made on August 15, 2006 showed that supplies from the prime supplier in Ecuador continued to be insufficient to meet daily flying requirements and were even less than the nominally-agreed-to daily allocations. The into-plane contractor continues to have seven trucks engaged full time in the importation of fuel from Peru. Regardless, total daily deliveries fall well short of the stated USSOUTHCOM requirement of 55,000 gallons per day.

FOL MANTA (Cont.): The into-plane contractor is entering into an agreement to establish a large intermediate storage facility in Guayaquil, Ecuador. This facility will allow for the importation of fuel via barge and being only 2-3 hours from FOL Manta will provide the into-plane contractor adequate stocks to meet daily requirements. Sufficient carriers exist to move the product from Guayaquil to Manta. This action was able to bring approximately 400,000 gallons of storage on-line by the end of September 2006 and an additional 400,000 gallons of storage on-line by the end of October 2006.

DESC-ME OVERVIEW 2006: Defense Energy Support Center-Middle East (DESC-ME) is headquartered in sunny Bahrain and Colonel Mark A. Olinger heads a staff of 31 dedicated military and civilian professionals that provide petroleum logistics support and management oversight in 27 countries within the United States Central Command (USCENTCOM) area of responsibility (AOR). DESC-ME has a proud tradition and their focus is providing the right fuel, at the right place, at the right time in support of the Global War on Terrorism (GWOT), providing direct support to Operation Enduring Freedom (OEF), Operation Iraqi Freedom, and Joint Task Force (JTF) Horn of Africa (HOA). There are nine Defense Fuel Supply Points strategically located in the AOR that provide increased capability and flexibility during periods of supply disruptions and increased consumption requirements. There are 26 locations throughout the AOR that into-plane contracts are established with commercial airports that are primarily used to support DOD and federal civil aircraft with commercial grade products. DESC-ME also manages 14 bunker contracts at strategic locations in the AOR that serve similarly as the into-plane contracts. These locations allow flexibility for the US Navy to conduct maritime operations and refuel at bunker sites of their choosing. Integral to the support provided to the warfighter is the role of the Quality Assurance Representatives (QAR), who conduct inspections of bunkers, helium gas, tank trucks, and into-plane operations throughout the entire AOR. There were 27 into-plane inspections conducted in 23 locations, spanning 15 countries. They also monitor and provide oversight for tanker loads and discharges. There are two countries that we have international agreements with; Egypt and Oman. These are Direct Bill agreements that cover fuel supplies, requisite services accountability, billing procedures and fuel prices. DESC-ME continues to support the needs of the nation and its allies. To remain postured to deliver the optimum support possible, the DESC-ME office will complete the move of its operation center to Pulaski Barracks in Kaiserslautern,

Germany in late November 2006. This move will allow for continuity of employees within the operations cell by limiting the frequency of turnover, thus building a very competent and cohesive team.

OPERATION IRAQI FREEDOM (OIF): The inventory managers provide support to four DFSPs in Kuwait and five in Iraq. Their oversight has enabled the region to highlight excessive losses and deter incidents of theft. QARs were instrumental as they performed their quality assurance duties reducing the number of contractor vehicles being turned away at border crossings in Kuwait and Jordan by 75%. They achieved this by clarifying inspection procedures and by providing on-sight training for both military inspectors and contractors. QARs conducted 10 contractor oversight visits in Kuwait and 5 in Jordan. A total of 525 tank truck inspections were conducted in Kuwait; 180 in Jordan; and 60 in Iraq. One major success in particular was the sub-regions initiative to bring MOGAS into Iraq via the Jordan ground links of communication. By working closely with our Jordanian supplier, the foundation was laid for contracting personnel to establish a contractual agreement to secure the fuel. As a result, MOGAS supplies across the entire country reached all time highs providing tremendous flexibility and reducing the number of convoys that were required to travel from the South into the Al Anbar province. In spite of harsh weather and frequent insurgent attacks convoys delivered over 13 million gallons of fuel monthly to US/Coalition forces in Western Iraq.

JOINT TASK FORCE-HORN OF AFRICA: With the US Navy now responsible for this region, we are receiving increased requests in regards concerning our support capabilities. Ground delivery options for HOA support continues to be challenging due to geographical considerations. DESC is exploring bulk delivery options available to us in this region. DFSP-Djibouti was opened in September 2005. It is a state-of-the-art facility that is contractor owned and operated and has proven to be a significant economic boost to this region. Providing the Navy with the ability to safely refuel ships operating in the Red Sea and the Gulf of Aden. There are into-plane contracts in Djibouti, Addis Ababa, Mombasa, Nairobi, Seychelles. QARs made five contractor oversight and customer visits during the past year in Djibouti.

OPERATION ENDURING FREEDOM (OEF): The Afghan theater provides a myriad of challenges to U.S./Coalition forces. The terrain is mountainous with inadequate road network. Harsh weather in the winter months along with insurgent activity compound the already difficult infrastructure, yet DESC-ME without fail, provides comprehensive fuel support to the U.S./Coalition forces. Last year over 103 million gallons of product was provided in support of OEF. JP8 and ground fuel is provided from Pakistan refineries and delivered to bases in Kandahar and Bagram. Russian grade aviation fuel is supplied from the north out of Central Asia.



There is a strategic Defense Fuel Supply Point (DFSP) in Kabul that was recently increased from 2.0 million gallon capacity, providing another source of petroleum for commanders. The operations cell works with the inventory manager and ensures the proper amount of fuel is ordered from contractors to keep bases stocked and operational. QARs provided quality assurance and support throughout Pakistan and Afghanistan during the past year. There were two contractor oversight visits conducted in Pakistan and four in Afghanistan. 63 tank truck inspections were conducted in Pakistan ensuring that the product received is on-spec and the proper procedures are being followed.

These inspections have assisted the warfighters to perform their missions. DESC-ME support was not limited to US and coalition forces, we provided extensive fuel support for Operation Lifeline; which assisted in humanitarian relief in the wake of the devastating earthquake in Pakistan. The into-plane contract at Chaklala was the sole fuel provider for international flights arriving with relief aid until additional refueling sites could be established. The President of the United States visited Islamabad, Pakistan this past year and DESC-ME QARs were instrumental in ensuring the refueling operations for Air Force One were performed to standard.

SUPPORT OF OPERATION IRAQI FREEDOM: DESC-Europe has managed the Turkey Northern Ground Line of communication to provide over 103 million gallons of JP8, Diesel and MOGAS to northern Iraq utilizing 17,802 trucks which, if put end to end, would stretch from Washington D.C. to Wilmington, Delaware.

SUPPORT OF LEBANESE HUMANITARIAN OPERATIONS: Initial coordination of fuel support for ships heading for the Lebanese evacuation took place between DESC and the British Navy in extremely short order. Coordination was enhanced by long-established international agreements, ready fuel supplies and communication technology. Support to the US Navy was readily available on demand from DFSP Gaeta, Italy, thereby requiring no coordination and fostering rapid re-supply.

SUPPORT OF USEUCOM TRANSFORMATION INITIATIVES: Through partnering with the Military Services and specifically, the US Army, DESC-EU assisted in the establishment of the first DESC PC&S Contract deliveries to Camp Bondsteel, Kosovo and an Into-Plane contract at Pristina, Kosovo Airport. Specifically, with the US Armed Forces Europe force drawdown in Bosnia, DESC-EU coordinated fuel support to US Forces at Eagle Base during closure. In 2006, DESC streamlined bulk fuel support storage in Europe, closing two major facilities, DFSP Cagliari and Keflavik Iceland, saving US taxpayers at least \$2 million per year in perpetual operating costs. New bunker contract initiatives in Africa expanded the availability of US military specification maritime fuel to 4 new locations on the continent, providing 33% more maritime support.

SUPPORT OF NATO OPERATIONS: In May of 2006, the Defense Energy Support Center hosted the North Atlantic Treaty Organization Central Europe Pipeline Management Organization Board of Directors (CEPMO BOD) meeting in Houston, Texas in order to foster improved U.S. – Alliance relations and to show our continued support for the Central Europe Pipeline System (CEPS). The CEPMO BOD is the governing body in NATO acting with regard to the collective interests of all CEPMO member nations including Belgium, Canada, France, Germany, Luxembourg, The Netherlands, and the United States. During the meeting, national delegates represent their nation's respective political, military, economic, financial, and technical interest relative to the CEPS. The CEPS stores over 1.4 million barrels of jet fuel on behalf of the DESC and ensures vital strategic enroute fuel support for U.S. operations at Ramstein and Spangdahlem Air Bases, Germany. The May 2006 CEPMO BOD meeting proved an overwhelming success. In a letter to the Director, Defense Energy Support Center, the U.S. Ambassador to NATO acknowledged the U.S. Defense Energy Support Center as a global leader in energy logistics and thanked, on behalf of the U.S. Mission to NATO, the Center's role in helping to further strengthen U.S. – NATO relations in such an important time in our Alliance's history.

SUPPORT OF MEDITERRANEAN CUSTOMERS: In the Spring of 2006, DESC launched a new plastic tax-relief card program to allow sales of tax-free fuel at off-base CEPESA gas stations throughout Spain. This program replaced paper fuel coupons, and streamlined the tax-relief collection process, allowing continuation of a very important benefit to US service members. It is estimated that this tax-relief effort saves service-members at least \$2.00 per gallon in Spain.

UTILITY PRIVATIZATION: In FY 2006, the Energy Enterprise Directorate awarded seven utility privatization contracts with a total value of \$613.5M. Four electrical distribution system contracts: Fort Belvoir Virginia to Dominion Virginia Power, Fort Gordon Georgia to Georgia Power, Fort Myer/McNair Virginia/DC to Dominion Virginia Power, and Natick Soldier Systems Command Massachusetts to NSTAR. One gas distribution system contract: Charleston AFB South Carolina to South Carolina Electric & Gas. One water plant contract: Fort Bragg North Carolina to the City of Fayetteville. One wastewater plant contract: Fort Bragg North Carolina to the County of Harnett.

Three of the seven contracts were awarded competitively (Fort Belvoir, Fort Gordon, and Fort Myer/McNair). Four were awarded sole source (Charleston AFB, Natick Soldier System Command, and two at Fort Bragg). Award of these utility privatization efforts is a major accomplishment for DESC and for the Department of Defense. These Contracts will result in an annual cost avoidance of \$9,078,9531 or a total cost avoidance of \$408,800,020 over the entire term of the contracts.

ENERGY SAVINGS PERFORMANCE CONTRACTS: The Energy Enterprise Directorate was recently chosen by OSD to lead the contracting effort for its Department of Defense Renewable Replication Pilot ESPC Project. This pilot project focuses on four technologies including day lighting and lighting technology, transpired solar collectors, solar swimming pool heating, and grid connected photovoltaics. The program includes approximately 26 installations in the western and central part of the United States. Also, the Energy Enterprise Directorate was responsible for performing contract administration of DESC-awarded Energy Savings Performance Contract Delivery Orders for Fort Hood, Texas, Fort Monmouth, New Jersey, Aberdeen Proving Ground, Maryland, Fort Jackson, South Carolina, and Carlisle Barracks, Pennsylvania. These Delivery Orders were issued against a Department of Energy Indefinite Delivery-Indefinite Quantity (IDIQ) contract for energy conservation measures such as utility monitoring control systems, energy management control systems, vending machine controls, cooling tower variable frequency drives, and lighting retrofits, which resulted in guaranteed cost savings to the Government that exceeded contractor payments.

SEA CARD DEVELOPMENT: The Government Fuel Card Program Management Office (DESC-K) commenced the piloting of the SEA Card Order Management System (SCOMS) in October 2005. The pilot ended in June 2006. The favorable results of the pilot and the significant benefits over the existing manual, paper-based bunker ordering process supported the DESC Director approving the SCOMS systems for production. This decision made SCOMS the primary means for ordering ships' bunker fuel, and also allowed the continuing development of the Open Market (i.e. non-DESC contract) functionality. As of October 2006, the SCOMS system was used to fulfill 213 vessel orders. The system provides significant program improvements over previous existing ordering methodology, to include transaction capture/integrity, data collection and reporting, and ease of use.

DEFENSE ENERGY SUPPORT CENTER-PACIFIC: Defense Energy Support Center-Pacific continued to provide top quality and cost effective supply chain management of bulk fuel to the warfighter in the Pacific area of responsibility (AOR) to include operations in more than 44 countries dispersed throughout 101 million square miles. The efforts of the Hawaii based region headquarters and four field offices effected this support. DESC Pacific continues to be vital in supporting OPERATION ENDURING FREEDOM (OEF) and OEF-Philippines from en route and staging locations such as Diego Garcia, Guam and Hawaii. During the past year, DESC issued over 600 million gallons of petroleum products to 76 DFSPs in the Pacific AOR. In addition, DESC Pacific maintained support for the U.S. Forces participating in OEF-Philippines through coordination with DESC-P/F to deliver product to Zamboanga, Manila and Subic Bay, and maintain product storage in Subic Bay. Once again DESC Pacific was called upon to assist during a humanitarian relief effort. This year it was to provide fuel support for the mudslide disaster relief in Leyte, Philippines as part of Operation HOPE RENEWAL. Through coordination with DESC-P fuel support was provided as needed by the U.S. Pacific Command. DESC Pacific won the Honolulu Federal Executive Board (FEB) awards in the following categories: Mr. Steve Bacle (DESC Korea), Federal Supervisor/Manager of the Year; Mr. Lanny Collums (DESC Alaska), Federal Employee of the Year (Professional, Administrative, and Technical); Ms. Karnie Lisle (DESC Pacific), Federal Employee of the Year (Clerical and Assistant); Ms. Jean Bennett (DESC Alaska), Exceptional Community Service; DESC Japan, Employer of Choice; and DESC Korea, Federal Organizational Excellence.

DEFENSE ENERGY SUPPORT CENTER-KOREA: DESC Korea identified a series of sales opportunities under the DLA Customer Relations Management (CRM) program and brought three of them to fruition during FY 06. First, they coordinated with the Korea Region of the Installation Management Agency on the conversion of heating fuel at Army installations in Korea from JP8 to direct delivery of commercial diesel, yielding an annual savings to DLA of \$16 million in transportation costs. This effort enabled U.S. Forces Korea (USFK) to meet newly-enacted Korean sulfur emission limits while virtually eliminating U.S. environmental liability for fuel spills during the annual movement of millions of gallons of heating fuel. Second was the transition of fuel in Army gas stations from JP8 to commercial diesel in response to an Army request to do so. Again, DLA realized millions of dollars in savings on

transportation and procurement of JP8 and USFK reaped environmental benefits. Finally, they aggressively pursued a series of briefings to Army installation commanders throughout Korea to educate them on the options set forth in a joint study regarding the optimal method of operating Army fuel facilities in Korea, sponsored by the Army Petroleum Center and DLA. These briefings were directly responsible for the concurrence by the director of the Korea Region of the Installation Management Agency with the course of action to convert the facilities from Government-owned Government-operated to Government-owned Contractor-operated facilities. The DESC Korea QAR team partnered with the Logistics division to establish quality and operational procedures for a new FOB destination JP8 contract awarded to the SK Corporation. The company recently reconfigured their refinery pipelines to provide jet fuel by pipeline to DESC COCO storage at the refinery in Ulsan. This new capability eliminates the requirement for tanker receipts of jet fuel at Ulsan port and saves DESC over \$2 million a year in tanker transportation fees. During FY06, DESC Korea supported USFK by directing movement of over 47 million gallons of bulk fuel with 603 movements by rail and 7,177 movements by tank truck. In addition, over 70 million gallons of JP8 were moved via pipeline. In 2006 the successful closure and cleanup of fuel facilities at 11 USFK installations with over 30 tanks and 20 miles of interconnecting pipelines was completed. There are 110 S/RM projects from FY99-FY06 currently active on the Korean peninsula.

DEFENSE ENERGY SUPPORT CENTER-ALASKA: DESC Alaska received a 'No Further Remedial Action' for the former DFSP Anchorage in June 2006. The milestone was the culmination of years of remediation efforts and hundreds of hours coordinating with regulators to successfully achieve the levels of clean up that were acceptable to all parties involved. The US Army is currently negotiating the land transfer of the former DFSP to the Municipality of Anchorage. DESC Alaska bid farewell to a unique fuel resupply operation this year. Operation Closed Port Program, the annual resupply of Galena AFS, ended with the last scheduled delivery after 60 years of operation. Constructed in 1941 and 1942, Galena was used as an auxiliary airfield for the American-Soviet Lend-Lease program during World War II. During the Cold War Galena served as the northernmost Forward Operating Base until the end of the Cold War, and fighter-interceptors based there made the majority of interceptions of Soviet aircraft over Alaska. DESC Alaska remained customer-focused throughout 2006 and continued to provide optimal arctic energy support...all the time throughout the last frontier...Alaska!

DEFENSE ENERGY SUPPORT CENTER-MIDDLE PACIFIC:

2006 proved to be a banner year for DESC MidPac support to the warfighter in the largest theater of operations. From supporting multiple exercises and contingencies/humanitarian missions to daily operations, DESC MidPac worked together with their partners to provide unparalleled energy support. During the summer two large-scale exercises concluded. U.S. Pacific Command's VALIANT SHIELD (largest U.S. military exercise in Pacific since Vietnam War) brought together an armada of 3 aircraft carriers, 25 other naval vessels, nearly 300 aircraft, and 22,000 service members. Nearly 12 million gallons of fuel was issued in Guam supporting this joint exercise. This was closely followed by RIMPAC in the waters around Hawaii that included 7 different countries and 18,000 personnel, and required over 20 million gallons of fuel to support. In addition, while supporting BALIKATAN in the Philippines, DESC ground and aviation contracts were leveraged to transition support to mudslide disaster relief in Leyte as part of Operation HOPE RENEWAL. This past year also saw the receipt of the eighth and final C-17 aircraft being based out of Hickam AFB, Hawaii further enhancing timely airlift in the theater and fuels projects are still in work to support this new capability. DESC MidPac also helped smooth the transition of the state-mandated gasohol product to Hawaii, the ethanol-based gasoline that replaced standard unleaded gasoline. In addition, Wake Island finally commissioned the \$4.6 million S/RM project to refurbish the hydrant system at this critical Pacific enroute location. However, this was closely followed with the impact of Super Typhoon Ioke which passed directly over the island. The fuels infrastructure was able to escape relatively unscathed, ensuring future fuels support will be available in whatever role remains for the remote island. In the future DESC MidPac will also play a key role in supporting fuels infrastructure upgrades and enhancements in Guam as the Guam Integrated Military Development Plan oversees the numerous projects being developed to support the new service missions at this key strategic location.

DEFENSE ENERGY SUPPORT CENTER-JAPAN: During FY06, the DESC Japan team ensured error-free fuel shipments by rail, pipeline, coastal barge, sea tanker and tank trucks to 108 fuel depots on time and on specification. Notably, they completed a thorough survey of customer requirements in support of the new PC&S contract award worth an estimated \$329M over four years. This year ground was broke on a new

truck loading system for DFSP Misawa that will replace the current rail system, greatly enhancing the secondary resupply for DFSP Misawa and saving \$800K in yearly transportation costs. On Okinawa a large step was taken to enhance the supply chain with the approval of a \$5M monobuoy MILCON project for FY07 that will provide a required secondary T-5 tanker off-loading point in Ken Bay. At DFSP Hakozaiki, the value of the host nation funding program was demonstrated with the opening of a new \$13.3M, 312 Mbbl JP-5 tank funded by the Government of Japan. As just one example of DESC Japan's commitment to meeting mission requirements and saving resources, they joined representatives from the Naval Operational Logistics Support Center and DLA Enterprise Support-Pacific on a site visit of Japan's six Fleet Industrial Supply Center Defense Fuel Supply Points. The team conducted a comprehensive site walk of the fuel terminals, and validated 175 active S/RM projects worth \$86.1M vital to supporting the warfighter. In addition, the team was able to cancel 37 projects worth \$15.8M, which freed up those funds for more pressing needs world wide. Finally, in coordination with the United States Forces Japan (USFJ), Sub Area Petroleum Office, the bi-annual Strategic Fuels Infrastructure-Japan conference was held, where DESC Japan met with all of the DFSP fuel managers to review and prioritize fuels projects within Japan. The priority list was endorsed by the USFJ Deputy Commander, and serves as a truly joint road map for the component services to follow when funding fuel projects within Japan.

COMMANDER, NAVAL INSTALLATIONS COMMAND (CNIC)

TERMINAL REQUEST: In December 2004, CNIC requested DLA/DESC assume global management and funding responsibility for fuel operations at more than 90 CNIC facilities under the Executive Agency authority. DESC implemented a two-phase assessment to evaluate overall logistics feasibility and financial impact of such a transfer of responsibility. In December 2005, DESC completed Phase I of the evaluation, which determined that such a move might be feasible. Phase II completed in August 2006, addressed only 39 of the 90 sites (the capitalized locations), and determined the financial impact of a transfer using a Type III Business Case Analysis (BCA). In November 2006, CNIC decided to retain funding and management responsibility of the 39 facilities.

DESC-FGI AGREEMENT AMENDMENTS: DESC-FGI negotiated and concluded two Fuel Exchange Agreements (FEA) with Italy and France. The FEA's will enable worldwide reciprocal fuel exchange capability at port and sea with the Italian and French Navies. DESC-FGI concluded five international agreement amendments with the United Kingdom, Turkey, Italy, and Peru. The amendments applied to DESC use of the United Kingdom (UK) Government Pipeline and Storage System (GPSS), the Turkish NATO Pipeline System (TNPS), the Northern Italian Pipeline System (NIPS) and updates to the UK aviation FEA and the Peruvian maritime FEA.

DEPARTMENT OF AIR FORCE (AF), ASSISTANT DEPUTY CHIEF OF STAFF/LOGISTICS, INSTALLATIONS, AND MISSION SUPPORT TERMINAL REQUEST: The Air Force requested DESC, under the guidance contained in DoD 4140.25, assume responsibility of Air Force bulk fuel facilities operations and maintenance if advantageous to the DoD. In July 2006, the Air Force funded and DESC contracted for a Type III BCA to evaluate the overall logistics feasibility and financial impact of such a transfer of responsibility. The Air Force operates more than 100 locations worldwide. For the initial portion of the study, the Air Force asked DESC to consider transfer of only 47 Air Force bulk fuel storage sites currently manned entirely by military personnel, which will become GOCOs. The final report for the initial study is due in October 2006.

DESC IMPLEMENTS ENVIRONMENTAL, SAFETY & OCCUPATIONAL HEALTH MANAGEMENT SYSTEM (ESOH MS): DESC's mission is to provide the Department of Defense (DoD) and other government agencies with wide-ranging fuel and energy products in the most effective and economical manner possible. The hazardous nature of the products we buy and sell necessitates sound management practices to protect human health and the environment. The ESOH management system is an overall management process that includes organizational structure, planning activities, responsibilities, practices, and resources for developing, implementing, and achieving DESC's ESOH policy. DESC's goal is to establish proactive management approaches that sustain compliance, avoid risk, prevent accidents, prevent pollution, reduce occupational illnesses and injuries, inform the public, and promote ESOH principles throughout the work force consistent with international standards for ESOH and agency specific objectives.

FY 2006 HIGHLIGHTS FOR DESC-WE SAFETY OFFICE: The DESC Safety Office kept their promise – “Zero Tolerance for Accidents”. DOD established a goal of a 75% reduction in mishaps by FY 08. The primary focus was to reduce lost time injuries and days away from the job. Compensation for lost time injuries was costing U.S. taxpayers billions of dollars. DLA established interim reduction goals for each DLA Field Activity. By the end of FY 2005, DESC was unsuccessful at meeting their intended goal. The Safety staff looked at ways to reduce rates and improve their overall safety program. A DESC Safety Newsletter was created and distributed bi-monthly to employees; improved safety programs, to include supervisory safety and collateral duty monitor training; conducted periodic, unannounced, inspections/walk-thru of work areas; conducted investigations of mishaps and worked with supervisors on controverting mishap cases; and improved communications are just some of those efforts. The DESC Safety Staff was proud to announce they attained their FY 2006 goal – by reducing their lost time injury case rates by 100%.

ENVIRONMENTAL CHANGES HAS RIPPLING FUEL EFFECT IN KOREA: On January 1, 2006, Korean environmental regulations mandated the use of ultra low sulfur diesel for on road use. Before the enactment of the law DESC Direct Delivery was procuring about 8,834,751 gallons of fuel oil diesel regular grade (DKR) annually for one Army location, 16 Air Force locations and one Navy location throughout Korea. The fuel oil diesel that DESC was supplying for on highway use had a maximum sulfur content of 0.05 weight percentage. The new ultra low sulfur diesel for highway use now requires a maximum sulfur content of 0.0030 weight percent or 30 ppm. Like many countries all over the world, the change in sulfur content not only affects the environment but also affects how DESC supports the war fighter in Korea. In response to the change in environmental Defense Energy Support Center (DESC) Direct Delivery Fuels collaborated with the Air Force Petroleum Office, Air Force Quality Office, Army Petroleum Office, Army Quality Office, DESC Inventory Division, DESC Pacific and DESC Product Technology and Standardization Division, DESC Korea to craft a strategy to convert to the new ultra low sulfur diesel. As a result of the environmental changes, all gas stations in Korea that previously used JP8 were converted to ultra low sulfur diesel fuel. Additionally, 2,503 Army heating tanks were converted from JP8 to ultra low sulfur diesel.

BUNKERS SUPPORT FOR AFRICA FUELS INITIATIVE (AFI):

DESC's Ships' Bunkers branch solicited and awarded a contract for 41,880 Metric Tons (13.2 million US Gallons) of Marine Gas Oil (MGO) and 10,000 Metric Tons (2.7 million US Gallons) of Intermediate Fuel Oil 180 in support of bunker requirements at ports in Tema, Ghana; Dakar, Senegal; and Capetown, South Africa. This requirement was specially requested by the US Navy and Military Sealift Command in support of the Africa Fuels Initiative (AFI). AFI is a joint venture initiated by the U.S. European Command Joint Petroleum Office to establish core sustainment ports along the west coast and the southern tip of Africa. These core sustainment ports will provide total sustainment to maritime forces operating in and around the west and southern coasts of Africa. The requesting services anticipates continuous usage at these ports. This is the first time DESC had solicited or awarded a Bunker's contract at Ghana and Senegal.

PC&S SUPPORTS PHILIPPINES AFTER MUD SLIDE: On Friday, February 17, 2006 a mud slide occurred in the southern region of the Philippines destroying the provenance of Leyte. In addition to covering homes, the mud slide also engulfed an elementary school which, was in session, and was reported to have 250 students in attendance trapped under the mud. DESC Post, Camps and Stations (PC&S) personnel coordinated with the DESC Middle Pacific Commander to divert fuel earmarked for the ongoing annual Balikatan Exercise in the Philippines to a Disaster Relief and Humanitarian Assistance mission. PC&S personnel worked to ensure the humanitarian relief effort would not be hindered by lack of fuel. The contract to support Balikatan was modified to divert fuel from the exercise to the relief effort. As a result, U.S. Military had adequate supplies of fuel to support their humanitarian relief efforts.

DEFENSE ENERGY SUPPORT CENTER PROVIDES FUEL SUPPORT TO PAKISTAN EARTHQUAKE HUMANITARIAN RELIEF ASSISTANCE:

On October 8, 2005, an earthquake measuring 7.6 on the Richter scale devastated the country of Pakistan. The US Forces were called upon to provide critical humanitarian assistance to the most remote, hard hit areas of the country. As the global provider of fuel for US operations, DESC contacted fuel suppliers in Pakistan who were delivering fuel from existing DESC contracts under the Pakistan/Afghanistan purchase program. The response was overwhelming, thereby allowing DESC to immediately modify contracts in support of the humanitarian effort. Caltex Trading and Transport Corporation

(Caltex Alkhalij Division), Shell Aviation and Air BP all agreed to modify their contracts to allow for diversion of fuel to three alternate locations within Pakistan: Muzaffarabad, Shinkari and Qasim. Overcoming the many challenges of terrain and site accessibility, we delivered over 1.2 million gallons of aviation, diesel and automotive gasoline to the three locations between October 2005 and April 2006. The combined effort of DESC, its customers and suppliers ensured that critical life saving humanitarian assistance reached those in need of food, shelter, clothing, medical supplies, and treatment.

DEFENSE ENERGY SUPPORT CENTER BECOMES A VOTING MEMBER OF THE JOINT INSPECTION GROUP (JIG):

After months of negotiating, the JIG council of guarantor members officially recognized and accepted DESC-BQ as a voting member of the council in January 2006. The JIG is a consortium of oil and airline industry representatives whose purpose is to promote safety, quality control and efficiency at aviation fuel facilities and develop global standardization of aviation fuel operating guidelines. DESC has, for several years, attended JIG meetings as an invited guest but found it increasingly necessary to establish permanent membership to protect the interest of our customers. DESC will benefit from membership in the JIG as we now have the right to attend the JIG Guidelines meetings with full voting privileges in the development of industry standards.

DEFENSE ENERGY SUPPORT CENTER ASSUMED THE COAL SAMPLERS CERTIFICATION TRAINING COURSE:

On 13 February 2006, DESC-BQ assumed the coal samplers certification mission from the Army Petroleum Center (APC). To enhance the quality of the training, DESC-BQ upgraded the coal sampler's certification training course to included coal specifications and standards, contract analysis, and boiler requirements. The course is designed to train installation personnel on the proper techniques for sampling and handling coal. The techniques and knowledge gathered from this course will give the receiving activities the capability to sample and verify product quality upon receipt. The first DESC-sponsored course was taught at Rock Island, New York in May 2006.

PRODUCT TECHNOLOGY & STANDARDIZATION DIVISION EXPANDS PETROLEUM QUALITY INFORMATION SYSTEM

(PQIS): DESC-BP released the 10th edition of the Petroleum Quality Information System (PQIS) in July 2006. The PQIS is a publication which provides statistical analysis of Aviation Fuels (AN8, JA1, JP4, JP5, JP8, and JPTS), Fuel Naval Distillate (F76), Marine Residual Fuel (RME-25), Gasoline, and Propellants (JP10 and PF1) bought under the various Bulk Fuels Purchase Programs. The data and analysis contained in the PQIS tracks fuel quality trends around the globe for 12 different regions. NATO Countries, engine manufacturers, product specification developers, and research companies worldwide all use PQIS data to assist them in making daily business and operations decisions. This year the publication was expanded to include technical data for Marine Gas Oil (MGO). Additionally, it now includes data from three new regions (Canada, South America, and Africa). In our efforts to continually expand and improve upon PQIS, the next edition will include statistical analysis for Russian Aviation Fuel, Grade TS-1.

DOMESTIC ULTRA-LOW SULFUR DIESEL (ULSD) DEMAND

TAKES OFF: September 1, 2006 marked the deadline for California to convert to the use of ULSD, a cleaner diesel fuel which reduces emissions of soot and nitrogen oxides. Specifically, the diesel fuel in use prior to the deadline had a sulfur content of 500 parts per million (ppm) maximum while ULSD has a sulfur content of 15 ppm maximum. In preparation for the environmentally mandate to convert to ULSD, DESC launched a comprehensive plan to ensure the new product was delivered to customer locations. Accordingly, DESC delivered more than twice the volume of environmentally preferable ULSD in FY 2006 than during the prior year. This action resulted in conversion of both Military Service and Federal Civilian Agency installations throughout the state of California. In keeping with DESC efforts to partner with commercial industry, DESC relied on a commercial specification to define performance of the ULSD. Updated product descriptions reflecting American Society of Testing and Materials (ASTM) terminology define the very high expectations for this fuel, which contains 97% less sulfur than automotive diesel fuels used in the past. Detailed information regarding this new grade of product and the actions required for installations to transition from 500 ppm diesel to 15 ppm diesel is posted to the DESC Home Page at:

<http://www.desc.dla.mil/DCM/Files/ULSDTutorial8-16-06Non-Audio.ppt>

DEFENSE ENERGY SUPPORT CENTER BECOMES AN OFFICIAL MEMBER OF THE GLOBAL AVIATION FUEL HANDLING STANDARDIZATION WORK GROUP:

DESC-BQ was accepted an official member of the Global Aviation Fuel Handling standardization working group in 2006. The working group is sanctioned by the Air Transport Association of America (ATAA) and the International Air Transport Association (IATA) to harmonize the different refueling standards/guidelines currently being used throughout the industry (Joint Industry Guidelines, Air Transport Association Standard 103 and CASE 2A). The group is composed of key representatives from the international airline and fuel supplier industries, as well as major refueling operators and government representatives from the United States and Canada. The goal of the working group is to develop one standard for “into-plane” refueling procedures that will be recognized worldwide as the standard for such operations. DESC’s presence will ensure that standards adopted by the group are consistent with minimum quality and safety requirements for our customers.

DEFENSE ENERGY SUPPORT CENTER PROVIDES SPECIAL PETROLEUM QUALITY ASSURANCE (J20) TRAINING TO

DEPLOYING UNITS: The Army Reserve requested DESC-BQ host a special session of the Petroleum Quality Assurance training course for personnel in preparation for deployment in support of OIF/OEF. Having quality assurance responsibilities for Army fuel servicing contracts and DESC FOB destination petroleum contracts, the training ensured that the units were prepared to execute their responsibilities upon arrival in theater. Accordingly, in May 2006, DESC-BQ presented a special session of the basic J20 course with primary focus on the responsibilities and challenges of performing quality assurance at tactical sites. Additional emphasis was provided on supply chain logistic challenges and interfaces between DESC contracting, DESC Regional offices and theatre support elements. A diverse group of twenty-one students (civilians, Marines, and active and reserve Army) successfully completed the course.

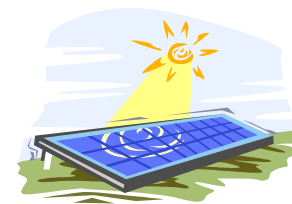
COAL: During FY06 the DESC Coal Team experienced another major price adjustment in the bituminous coal market. Delivered coal prices rose approximately 9.4% over the FY05 contract award prices. The major cost driver was the rising cost of diesel fuel for this timeframe. However, DESC was successful in securing firm-fixed, delivered cost, contract awards for all the coal customers through their performance periods. Although small business supplies over 90% of the DESC customer requirements, competition continues to be limited.



NATURAL GAS: In FY06, the Installation Energy CBU Direct Supply Natural Gas Program (DSNG) built upon its largest ever annual award made in FY05 by awarding an additional 24 million dth of natural gas for an estimated \$150 million. 42% of the total dollars awarded in FY06 went to small businesses. Awards were made for several new or returning customers such as Fort Bragg. For Fort Bragg, the Natural Gas Team awarded an emergency supply contract after the marketer supplying natural gas to the installation through an Energy Savings Performance Contract failed to deliver. This was followed up with subsequent awards for supply through the end of FY08. The Natural Gas Team also was able to quickly award a contract in face of a growing supply problem in the Cook Inlet area of Alaska. The new contract ensures DESC's DoD and Federal Civilian customers savings versus the standard utility supply option from which DESC customers were precluded due to the tariff changes brought about by the supply problems. Additionally, the Natural Gas Team went beyond its traditional duties by assisting several customers in resolving metering errors with their local distribution utilities. Through the combined efforts, each customer was able to recoup all losses resulting from the utility errors.

ELECTRICITY: Since the inception of the Electricity Program, DESC has been active in all states in which competitive electricity acquisition is permitted, and for which we have received requirements. During FY06 DESC issued solicitations for New York, Illinois, Maine, Texas, Pennsylvania, New Hampshire, Connecticut, Massachusetts, New Jersey, Maryland Virginia, and the District of Columbia. The Electricity Team currently has contracts in place for competitive power in DC, MD, TX, IL, NJ, MA, ME, VA, PA and NY. The DESC Electricity Team continues to work closely with our customers and with industry to evaluate and refine the way we conduct business so as to provide maximum support for our customers and to conduct business that closely mirrors commercial industry practice. In FY06, the DESC Electricity Team awarded contracts worth \$346M for a estimated 4.1B kWh.

RENEWABLE ENERGY: FY 2006 remained an active year for the DESC Electricity Team in the Renewable Energy Certificates (RECs) market. A REC represents the unique attribute of renewable energy generation that can be sold separately from the commodity. RECs provide an affordable way for federal installations to meet the Executive Order 13123 and Energy Policy Act goals. These renewable power purchases encourage the growth of local renewable energy, support the development of green power markets and reduce greenhouse gas emissions. With the end of FY06 fast approaching and the need for the 2.5% consumption goal to be met, DESC increased its customer base to include various DoD Installations, Environmental Protection Agency facilities, Internal Revenue Service offices, Departments of Homeland Security, Commerce, Health and Human Services, Interior, Energy, Veterans Affairs National Aeronautical Space Administration and Bureau of Prisons. In FY06, DESC awarded over 1.1B kWh of wind, biomass and geothermal RECs for customers located throughout the continental United States with a dollar value of \$826K.



NEW CUSTOMERS FOR DESC IN FY2006:

JP-10: In November 2005, DESC Aerospace Energy coordinated a delivery of JP-10, a high density synthetic hydrocarbon type propellant, to support the Taitec International Exporters who were working for the Taiwanese Government in support of the Chung Shan Institute of Science and Technology (CSIST) Turbo Pump, Subsonic Drone and Spray Combustion program under authority of the Commercial Space Launch Act.

DINITROGEN TETROXIDE (N2O4): In June 2006, DESC Aerospace Energy coordinated an N2O4 delivery to the Cricket Trading Company to support Japanese Engineering Technology Satellite No.8 (ETS-8). The mission of the ETS-8 commercial satellite is to serve the increasing demand for digital communications, such as mobile phones and other devices. Also in June 2006, DESC Aerospace Energy coordinated an N2O4 delivery to CHA Corporation, in Laramie, WY. CHA Corporation will use the N2O4 to test an oxidizer destruction system that will be installed at Vandenberg AFB. Both sales were authorized by the Commercial Space Launch Act.

DINITROGEN TETROXIDE (N2O4) AND HIGH PURITY

HYDRAZINE (HPH) FOR OPTUS D1: In June 2006, DESC Aerospace Energy coordinated a delivery of N2O4 and High Purity hydrazine to Australia-based Optus Networks Pty Limited. Both products will be used to maneuver the Optus D1 satellite, which will provide Ku-band fixed communications and direct television broadcasting services to Australia and New Zealand. DESC conducted the sale under the authority of the Commercial Space Launch Act.

GASEOUS HELIUM: DESC Aerospace Energy coordinated a delivery of helium to support the Naval Air Warfare Center Aircraft Division (NAVAIR), Lakehurst, NJ. The helium is in support of a spherical airship used as an advanced flying laboratory. The air-laboratory is used to test sensors and equipment at different altitudes by various government agencies. DESC Aerospace Energy also coordinated a delivery of helium to support the Weather Plans and Programs office at Lajes Field, Azores Portugal. The helium is in support of their Rawinsonde program. Rawinsonde programs are designed to meet real-time operational needs for weather analysis and forecasting and also provide a national and international database of upper-air observations for research and climatological purposes.

ATLAS V LAUNCH – NASA’s PLUTO NEW HORIZONS

SPACECRAFT: On Thursday, January 19, 2006 at 2:00pm EST, a successful launch of a Lockheed Martin Atlas V rocket carrying NASA’s Pluto New Horizons Spacecraft lifted off from Cape Canaveral Air Force Station, FL. The DESC Aerospace Energy CBU supported the launch with propellants and chemicals including RP-1, hydrazine, liquid oxygen, liquid hydrogen, gaseous helium and gaseous nitrogen. The propellants and chemicals support a variety of functions. Liquid nitrogen is used to chill the gaseous helium which cools the rocket’s Centaur engine pumps; gaseous helium is used for pressurizing propellant tanks, providing purges and operating valves. Gaseous nitrogen is used to purge the various rocket compartments. High purity hydrazine is used to help position the spacecraft (attitude control). RP-1 and liquid oxygen power the rocket’s RD-180 engine in Stage 1. Liquid oxygen and liquid hydrogen are used to power the Centaur engine in Stage 2. The New Horizons spacecraft set out on a decade-long journey to the edge of the solar system. The rocket, powered by more than 91,000 gallons of DESC-provided rocket propellants provided a 44-minute and 53-second boost to help New Horizons quickly reach speeds of 36,000 mph as it journeyed 3 billion miles to Pluto. At the request of the US Air Force (USAF) Petroleum Office (AFPET), DESC continued as the USAF Local Purchase Agent to provide Aviator’s Breathing Oxygen (ABO) and Liquid Nitrogen (LIN) for all USAF locations. Under the DESC and AFPET partnership, DESC awarded firm fixed-price requirements-type contracts for two CONUS regions. In December, 2005, DESC awarded a five-year contract for all USAF bases located in the Central US totaling an estimated dollar value of \$3.7 million. In March 2006, DESC awarded contracts for the Western US as well as Hawaii and Alaska. Those contracts’ dollar value totaled over \$6.2 million. The total number of USAF bases supported at the end of FY06 was 120. DESC and AFPET continue to partner and develop requirements for ABO/LIN to extend support to OCONUS, USAFE and PACAF. Due to the success of the DESC/USAF partnership, DESC and the Naval Operational Logistics Support Center – Petroleum (NOLSC) initiated discussions for support to US Navy bases, as well. Lastly, DESC and Defense Supply Center Richmond (DSCR) agreed on the transfer of DoD Integrated Material Management responsibility for bulk ABO/LIN from DSCR to DESC, effective October 1, 2006.

CONOPS RE-ENGINEERED FOR BULK HELIUM SUPPORT TO OPERATION IRAQI FREEDOM: DESC continued support of the US Army's two Aerostat Programs in Iraq, the Persistent Threat Detection System (PTDS) and the Rapid Aerostat Initial Deployment (RAID) Program, with improved, just-in-time delivery of bulk gaseous helium. The CBU re-engineered the supply chain by utilizing 59 bulk helium trailers that were considered excess to several customers' requirements. Many of the trailers were also destined for disposal at the Defense Reutilization and Marketing Service (DRMS). DESC awarded four Indefinite Delivery/Indefinite Quantity contracts to refurbish and re-certify each of the trailers, as needed. Upon refurbishment, DESC's Bulk Helium supplier in Otis, Kansas, filled each trailer. Trailers were positioned at McConnell Air Force Base and then airlifted three at a time to Iraq via Special Assignment Airlift Missions on C17 military aircraft. Additionally, a CBU Transportation Specialist deployed to Iraq to assist the DESC member to the DLA Contingency Support Team (DCST) with two other major components of the re-engineered CONOPS – the establishment of a Defense Fuels Support Point (DFSP) as a forward staging area for the filled trailers and drafting of the procedures for handling both the trailers and the DLA-owned inventory. The re-engineering of the OIF Bulk Helium CONOPS has reduced the lead time for customer re-supply of bulk helium from 2-3 weeks to 2-3 hours. Additionally, utilizing existing Government assets in lieu of buying new trailers saved DoD over \$11.4 million. Many of the trailers were also destined for disposal at the Defense Reutilization and Marketing Service (DRMS). DESC awarded four Indefinite Delivery/Indefinite Quantity contracts to refurbish and re-certify each of the trailers, as needed. Upon refurbishment, DESC's Bulk Helium supplier in Otis, Kansas, filled each trailer. Trailers were positioned at McConnell Air Force Base and then airlifted three at a time to Iraq via Special Assignment Airlift Missions on C17 military aircraft. Additionally, a CBU Transportation Specialist deployed to Iraq to assist the DESC member to the DLA Contingency Support Team (DCST) with two other major components of the re-engineered CONOPS – the establishment of a Defense Fuels Support Point (DFSP) as a forward staging area for the filled trailers and drafting of the procedures for handling both the trailers and the DLA-owned inventory. The re-engineering of the OIF Bulk Helium CONOPS has reduced the lead time for customer re-supply of bulk helium from 2-3 weeks to 2-3 hours. Additionally, utilizing existing Government assets in lieu of buying new trailers saved DoD over \$11.4 million.

RENEWABLE ENERGIES: BIODIESEL AND ETHANOL ROUNDTABLE DISCUSSION: Global Warming, Greenhouse Effect, and Ozone depletion are some of the major issues brought forth when it comes to the state of our environment. These issues have been of a great concern to our President, and they served as a catalyst for the Energy Policy Act signed into law on August 8, 2005. One of the mandates of the act called for the expanded use of renewable energies such as biodiesel and ethanol to 7.5 billion gallons by the year 2012. The Defense Energy Support Center's Small Business Office hosted a roundtable discussion on biodiesel and ethanol usage on August 23, 2006. The event was organized to facilitate continued dialog between government and industry representatives to realize the President's vision to expand the use of biodiesel and ethanol. Representatives from DESC Contracting and Product Technology Division, the Office of the Secretary of Defense, the Small Business Administration, the Departments of Energy, Commerce, and Interior as well as the U. S. Postal Service participated in the roundtable. Meanwhile, industry was represented by more than 40 contractors hailing from Alabama, Florida, Georgia, Louisiana, Maryland, Pennsylvania, Puerto Rico, Texas, U.S. Virgin Islands, and Wisconsin. The discussions proved to be very informative for all stakeholders and supported the need to bring all interested parties together in to order meet the renewable energies challenge head on. Some of the issues brought forth dealt with commingling of product, off specification of product, transportation, small business refineries, biodiesel feedstock, and origin versus destination delivery. As such, the Direct Delivery Fuels Contracting and Bulk Fuels Product Technology Divisions collaborated to stimulate the dialogue by providing major insight on the above concerns, leaving the participants thoroughly satisfied and energized. Renewable energy refers to any energy capable of being naturally restored and replenished. Biodiesel is a renewable energy that can be produced in the United States as an alternative to petroleum; it is a clean burning fuel produced from vegetable oils, recycled cooking oils, and animal fats. The primary resource used in the production of biodiesel is the soy bean. The soy bean crop is less invasive and stressful on the soil; therefore, it is a viable means of preserving the environment and providing energy. Currently, DESC procures B20 that does not contain any animal fat byproducts. Ethanol, an alcohol based alternative fuel, is produced from crops such as corn, barley, and wheat. When blended with gasoline, ethanol produces a clean fuel that reduces harmful emissions.

RENEWABLE ENERGIES (Cont.): Presently, DESC procures E85 for use in vehicles capable of running on gasoline-ethanol blends of up to 85 percent ethanol. DESC also procures grades of gasoline containing up to 10 percent ethanol (E10), which are suitable for use in conventional vehicles. The expanded use of E85 will result in a healthier living environment. Biodiesel and ethanol not only protect the environment on which all life depends; they also reduce the obvious dependency the United States has on foreign countries for its energy needs. This factor alone substantiates the need for widespread use of these alternative energy sources. DESC, the integrated material manager responsible for providing the DoD and other government agencies with energy, realizes that they have an additional responsibility to protect the environment. Providing energy is what we do; a preserver of the environment is who we are.

EXECUTIVE AGENT OVERVIEW FOR FY06: As the DoD Executive Agent (EA) for Class III Bulk Petroleum, DESC, together with its partners, made significant progress during FY06 toward our overarching goals of achieving peacetime efficiencies and wartime effectiveness. The EA Component Steering Group (CSG) and four Integrated Process Teams (IPTs) pursued numerous initiatives targeted to improve bulk petroleum logistics. Results achieved to date have reflected involvement by a dedicated team of personnel from the Military Services, Combatant Commands, Joint Staff, and DESC. A total of twenty-nine major initiatives were loaded into phase-one (CY 05-06) of the EA Roadmap. As of September 30, 2006, twenty-four of those efforts were formally initiated and eleven have been completed. As phase-one terminates in November 2006, the CSG and IPTs have made major strides in the integration and standardization of equipment and training, while achieving a more integrated and cooperative supply chain. The EA community's most noteworthy accomplishments include: Consolidation of Military Service petroleum quality training at Fort Lee, Virginia; Standardization of tactical fuel filter & coalescer elements; Coordination of Military Service planning parameters into the requirement computation of the Integrated Consumable Item Support (ICIS) system; Finalization of development and testing of the web-based Petroleum Report (REPOL) contingency reporting program; Execution of integration efforts with petroleum quality information management systems; Development and full service

coordination of a joint performance-based specification for collapsible fuel bladders; De-confliction enhancement, and sponsorship of the Joint Petroleum Training Module (computer-based course with a COCOM focus) for the Joint Staff and the resurrection of the DESC-sponsored Joint Petroleum Seminar; and Establishment of Tactical Fuel Equipment Acquisition Vetting Procedures.

In preparation for moving into phase-two of the EA effort in early FY07, DESC-X has developed and coordinated updated roadmaps for each of the four IPTs. These roadmaps incorporate all remaining initiatives from phase-one as well as over a dozen new initiatives spanning a three-year period through FY09.

